

Iran and the International Arena: Challenges and Opportunities

Editor: Sima Shine



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Institute for National Security Studies

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איראן והזירה הבינלאומית: אתגרים והזדמנויות

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TAU Graphic Design Studio

Cover design: Igal Talianski

Printing: Digiprint Zahav Ltd., Tel Aviv

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February 2021

ISBN: 978-965-92858-2-2

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Preface

This monograph is a special collection of articles by experts from Europe, the United States, and Israel, who have been cooperating in an inter-think tank working group under the auspices of the Institute for National Security Studies (INSS) and Konrad Adenauer Stiftung (KAS) Israel. All articles have a focus on the Iranian issue from different perspectives. The introductory article is written by myself as one of the main conveners of the international working group and the monograph editor.

I would like to thank the leadership of both INSS and KAS Israel for their generous support of this unique initiative.

The views and opinions expressed in these articles are those of the authors and do not necessarily reflect the official policy or position of either of the publishing organizations.

The articles have been published in alphabetical order of the authors by surname.

I thank all the authors for their interesting and valuable insights.

Sima Shine

Iran in 2021: Challenges and Opportunities

Sima Shine

Iran is starting 2021 after one of the most difficult periods that the Islamic Republic has known. The previous year began with the assassination of Qassem Soleimani, commander of the elite Quds Force, and the downing of a Ukraine Airlines flight, and the accompanying riots, and continued with the most dramatic and influential event the world over, the outbreak of the COVID-19 pandemic, which in the Middle East affected Iran most severely. To these were added the assassination of the head of the nuclear weapons program, Mohsen Fakhrizadeh, and Israel's normalization agreements with the United Arab Emirates (UAE) and Bahrain, all against the backdrop of a dire economic situation and deep political polarization in Iran.

Despite this string of difficult events, and additional pressures, Iran remained steadfast in its stance. As Sanam Vakil emphasizes, for example, neither the US' "maximum pressure" policy nor the targeted assassinations succeeded in causing Iran to alter its policies. Furthermore, Iran continued to advance its nuclear program and to violate the majority of the nuclear deal's articles. According to the report published by the International Atomic Energy Agency (IAEA), in September 2020, Iran possessed over 2.5 tons of uranium enriched to a low level, and the enrichment continues at two sites. In addition, gas has been fed into advanced centrifuges and a new site has been built deep underground for assembling new centrifuges, to replace that severely damaged in the sabotage attack that took place in August at Natanz. The IAEA also claims that Iran is not abiding by its commitments to the nuclear non-proliferation treaty, which go beyond the nuclear deal. Following the assassination of Fakhrizadeh, along with Iran's pledge of a serious response against the perpetrators – and the finger is pointed at

Israel – a threatening message aimed at the incoming Biden administration could be heard in the law passed by the Iranian parliament demanding that the government raise the enrichment level to 20 percent, that work proceed to restore operation of the research reactor at Arak, and that cooperation with the IAEA be downgraded, all within two to three months if all of the US sanctions on Iran are not lifted. On the enrichment clause, it should be noted, Iran has already started to enrich to 20 percent.

The main significance of the election of Joe Biden as the next president of the United States, in the eyes of the Iranian regime, is the fact that Tehran will no longer need to deal with President Donald Trump, who, along with the strict sanctions that he imposed on Iran, appeared to be unpredictable in his military responses. Foremost among these was of course the Soleimani assassination, which marked a serious blow to the regime and its leader, Ali Khamenei, personally. However, as Michael Singh notes, there is little difference between the objectives of the two administrations – Trump's, which is coming to a close, and Biden's, now at the beginning of his term: both want a better agreement, and I would add that both are also committed to preventing Iran from attaining nuclear weapons, even if their means to that end are very different. As Biden has stated, and as his national security appointments have made clear, the preferred path is diplomacy, while being willing to return to the US' commitments in removing the nuclear sanctions if Iran renews all of its commitments in the agreement. This policy is already raising concerns in Israel and the Gulf States. The possibility that Iran will again receive economic relief that it desperately needs while continuing to consolidate its military and economic presence in the region's countries – Iraq, Syria, Lebanon, and Yemen – and that with the help of those funds it will even be able to deepen its grip on them is certainly very disconcerting.

Iran, for its part, presumes that the Biden administration does indeed want to reverse Trump's policy towards Tehran, and in the first stage has set the objective of returning Iran to the JCPOA framework and keeping it from achieving quick nuclear breakout capability. But it is also attentive to statements regarding the need for changing some of the parameters of the agreement, as well as the need for a discussion of its missile project and its regional policy. These demands are supported by the E3 (France, Germany, and the UK). As Raz Zimmt notes, in the Iranian political system a heated debate is already underway regarding Iran's return to negotiations with the

US. The pragmatic circles, led by President Hassan Rouhani, support in principle the renewal of a dialogue with Washington. In contrast, the radical and conservative circles, who objected to the agreement and to Rouhani's willingness for compromise with the West in the first place, reject a return to negotiations, arguing that the US cannot be trusted. This debate will be decided, ultimately, by Iran's supreme leader, who will determine whether to permit the president to return to the negotiating table or to persist with his recalcitrant approach despite the country's worsening economic crisis and the ongoing COVID-19 pandemic. His decision will of course be derived in part from the nature of the American offer presented. Vakil argues that after four especially difficult years, Tehran has the opportunity to manage three crises that it is facing – increasing international pressure, economic suffering, and internal rivalries between the political camps. Easing these pressures through dialogue and agreements with the US is also necessary in order to address the question of succession after the departure of Khamenei in the future.

The question of the role of the European signatories to the JCPOA will be central in the coming year. President Biden places great importance on renewing the transatlantic relationship with the US' natural allies. This is his strategic doctrine and it is essential to many topics on his agenda, from cross-border issues like climate, epidemics, and immigration to relations with Russia and China, as well as the Iranian issue. During the Trump presidency, Iran benefited from the tension between the US and its European allies, and even adopted a policy aimed at keeping Europe on its side as part of its efforts to isolate the American administration. This Iranian policy bore significant fruit, which was illustrated both in the votes of European countries at the UN Security Council against the extension of the weapons embargo on Iran (October 2020) and in their opposition to the American attempt to restore the Security Council sanctions by employing the snapback mechanism.

Now, as Cornelius Adebahr proposes, what is needed first and foremost is a consolidated European position and then a shared transatlantic position, with Europe perhaps able to bridge the chasm of distrust that exists between Iran and the US. In this regard, Hans-Jakob Schindler suggests the possibility that the Biden administration will use the INSTEX mechanism to carry out monetary transfers for the purchase of medicine and food as a first step in facilitating Iranian commerce and also as an immediate confidence-building

measure. The role of mediator was already attempted by France's President Emmanuel Macron vis-à-vis the Trump administration, when he proposed compromise formulas for jumpstarting the American-Iranian dialogue, and even invited Iran's foreign minister, Mohammad Javad Zarif, to Paris during the G7 summit in an effort to convince Trump to meet him; but the attempt failed when it became clear that Tehran had demanded a commitment to removing the sanctions as a precondition for the meeting. As for Paris' role, Clément Therme's insightful article throws light on the internal struggle underway within the French administration between supporters of the strategic approach, who believe in taking a hard line towards Iran and maintaining close relations with the US, and supporters of the realistic approach, who place importance on economic interests with respect to Iran.

In any case, the US will require "diplomatic time" with the European countries, as well as with Russia and China, which are part of the nuclear deal. We can assume that in the period of time between Biden's entry into the White House (January 20, 2021) and the elections in Iran (June 2021), and assuming that the US and Iran are both interested in resuming the dialogue, two main scenarios are possible: one is a joint declaration about returning to the agreement, with each side taking the necessary steps to reinstate all of the agreement's conditions on a date determined by them, including the American removal of all the sanctions related to the nuclear program. These processes, on both sides, will take time but are possible. The second scenario is that, given the difficulties that each side will face, domestically and abroad, only initial and partial steps will be possible, mainly confidence-building measures (CBMs), without fully taking on the substantial problems that exist. There have already been hints of Biden's intention to revoke the ban on entering the US imposed on citizens of certain Muslim countries, including Iran, and there has been discussion of improving the banking routes for purchasing food and medicine, and to this end perhaps even a partial thawing of frozen Iranian assets held abroad.

An issue that is no less challenging is how the Biden administration will want to involve its allies in the Middle East. There is increased understanding in Washington, including among Biden's advisors, that there can be no progress on the nuclear issue while neglecting and ignoring Iran's actions in the region, including the supply of weapons to its proxies and contributing in this way to regional instability, and the threat that it poses to Israel, Saudi

Arabia, Bahrain, and the UAE. In this context, Neil Quilliam suggests that the Gulf States set red lines and try to implement them in dialogue with Washington. Israel too will no doubt make its positions clear regarding Iran's military entrenchment in Syria and the transfer of weapons to Hezbollah, precision missiles specifically. Israel, which is working in many arenas to reduce the Iranian activity, including by striking weapons stockpiles and thwarting weapons transfers to Lebanon, will continue this policy; thus, without addressing this issue the potential for escalation on the ground will hover over any dialogue that the US conducts with Iran. Consequently, as Singh states, the Biden administration will need to define the minimum necessary for an internal and international coalition, including those who criticized the JCPOA, in order to advance a policy that not only succeeds with respect to Iran but is also stable and successful over time.

Israel and the Gulf States have a shared interest in preventing a swift removal of the sanctions without adequate compensation. There is consequently room for coordinating positions and presenting them separately and together to the Biden administration. However, Israel must consider three main points: first, the problematic standing of these states, especially Saudi Arabia, among members of the future administration and in the eyes of Biden himself, as well as in the American Congress (including among some Republicans); second, these states are afraid of Iran and will prefer any step as long as it does not lead to a full-scale war in which they will be the first to suffer; and third, the regional priorities of Israel and the Gulf States are different: while Israel views Iran's entrenchment in Syria and its support of Hezbollah as a central issue, for Saudi Arabia and the UAE the Houthis in Yemen are currently the main priority. And in any case, from Israel's perspective, the nuclear matter is and will remain the main strategic issue, far more important than any other, and thus it must ensure that addressing other important issues is done separately from the nuclear program, without conditions or trade-offs between them.

On the nuclear issue, too, there is room for considering alternative measures to the idea of returning to the agreement without preconditions, as the Iranians demand. For example: instead of a full return to the JCPOA, one option might be to freeze the status quo in return for relief on oil exports and open the discussion on problematic issues in the agreement; Iran would have difficulty refusing this option, though it does not provide all of the financial

advantages that it would want. An alternative option is an American demand, which would be presented to the US Congress, that as part of its return to the JCPOA, Iran would commit to discussing changes to the agreement.

In detailing the demands regarding the nuclear program, beyond what exists in the JCPOA, three main points should be emphasized:

- The end of the agreement: Along with extending the sunset clause to at least 30 years, five-year intervals should also be defined for examining the issue and the possibility of an additional extension;
- R&D of new centrifuges: A freeze on the activity that has taken place in violation of the agreement, a prolonged period of at least a decade until returning to initial stages of activity in this field; and
- IAEA supervision: A demand that IAEA inspectors be permitted to enter any site, even if it is not declared by Iran, that shows signs of suspicious activity related to the nuclear program.

In conclusion, in the dialogue that the Biden administration wants to conduct with Iran, together with its European partners, it is important not to place the desire to reach an agreement above the need to ensure a good and stable agreement. The balance of power is not equal, and while Iran *needs* an agreement, the world powers *want* an agreement. The negotiators must keep this gap in mind and work hard to ensure a truly tenable agreement.

European-American Relations and Iran Policy under the Biden Administration

Cornelius Adebahr

The European Union (EU) as well as individual EU member states are putting a lot of stock into improved relations with the United States under its 46th president, Joe Biden. Combating both the raging COVID-19 pandemic and the less visible, though no less pronounced, effects of climate change are at the top of the agenda. Interestingly – compared to the scale of the challenge – redeveloping a joint approach vis-à-vis Iran is a close runner-up. To do this, both sides intend to build on the 2015 nuclear deal while aiming to include regional security issues in any follow-up agreement.

Importantly, with former vice president Biden returning to the White House on January 20, 2021, an American return to the deal formally known as Joint Comprehensive Plan of Action, or JCPOA, is a distinct possibility. On the campaign trail and in statements following the US vote, the president-elect confirmed his intentions to do so if and when Iran goes back into compliance. The fact that the Europeans have fought to keep the nuclear deal (barely) alive against all odds, could thus pay off soon. Also, more generally, a return to the decade of transatlantic cooperation from 2006 to 2016, both in style and substance, will be an enormous relief for Europe.

The problem from a European perspective, however, is not only whether Iran and the US will get the sequencing right. It is, more fundamentally, about three factors: a lack of trust; how the Middle East has changed since 2015; and whether Europe – the E3 of France, Germany, and the United Kingdom, as well as the EU and its member states – will have the capacity and reach to drive diplomacy forward as they have done a number of times since talks began back in 2003.

From “trust but verify” to “distrust and destroy”

The first factor, low trust, runs high among all parties to the JCPOA. There is little love lost between Washington and Beijing after a years-long trade war, and between Moscow and Washington following spats over election interference and harsh sanctions. Increasingly, Europe has also grown wary of Chinese economic investments and political influence, while the EU has kept sanctions in place against Russia since the latter’s annexation of Crimea and its invasion of eastern Ukraine in 2014. True, Tehran and Moscow still cooperate in the Syrian theater, yet the recent war over Nagorno-Karabakh with both Russia’s and Turkey’s direct involvement has threatened the stability of Iran’s northern provinces. And while China and Iran signed a 25-year economic and military partnership agreement in the summer, Tehran knows too well that, for Beijing, it is mainly a prop in the wider superpower confrontation with Washington.

The biggest hurdle, however, is open distrust between Tehran and Washington. Following the Trump administration’s unilateral withdrawal from the JCPOA in May 2018 and subsequent “maximum pressure” campaign in clear violation of the deal, Iranians wonder why they should ever again rely on the word or signature of a US president. Despite Biden’s clear position and Iran’s positive initial reactions, it has become obvious that both sides have little leeway. The new US administration will have to focus on domestic issues (“building back better”) and cannot be seen as handing any favors to Iran. Whereas nearly all Senate Democrats supported the JCPOA back in 2015 against the Republicans’ blockade, today’s Democratic lawmakers – including scores of those who have entered Congress since 2016 – are more critical of the Islamic Republic. Iran, in turn, will want to make few concessions after years of US-inflicted pain, especially in view of the upcoming presidential elections in June 2021. The country is more likely to demand compensation for the harsh US sanctions, which is a no-go in Washington.

Second, there have been significant shifts in power in the Middle East, which make “compartmentalization” – that is, the separate treatment of areas of conflict – increasingly difficult. During the last round of negotiations between 2013 and 2015, it was possible to insulate the talks from factors such as the West’s fallout with Russia over Ukraine and Iran’s growing presence in regional conflicts such as Syria or Yemen. This will no longer

be the case today with Iran's expanded position on the Persian Gulf, as demonstrated in various proxy wars and with attacks on its neighbors' oil facilities in recent years.

Crucially, Israel has become the regional focal point of responding to Iran's mounting regional clout. Jerusalem does not shy away from bilateral confrontations with Tehran, whether on the Syrian battlefield, in cyberspace or, presumably, by assassinating Iran's most prominent nuclear scientist. Moreover, Israel has even gained new allies in Iran's immediate neighborhood with the United Arab Emirates and Bahrain, which may no longer have felt adequately protected by the United States against the perceived Iranian threat. Farther afield, two additional Arab countries, Sudan and Morocco, have just recognized the Jewish state, signaling decreasing support for the Palestinian position vis-à-vis Israel in the other long-running, long-thought-to-be dominating conflict in the region.

This volatile situation and the different interests of the great powers make it unlikely that Russia and China will be satisfied with the supporting roles they had at the negotiating table between 2006 and 2015. Quite clearly, there will be no return to the special diplomatic constellation from five years ago. This means that, despite agreeing in principle to reaching another deal with Iran, the Europeans and the Biden administration will still have to haggle over how to get it done. As much as the US' Iran policy of the past four years was contrary to Europe's security interests, it showed just how limited European options for action on Iran are when they run counter to US strongarm policies.

Therefore, looking at the third factor, Europeans will have to not only bank their hope on the next US president but also to invest real diplomatic currency into crafting a common transatlantic approach on Iran. True, they have managed to keep the nuclear agreement alive, contrary to all expectations. They even succeeded in fending off the Trump administration's last-ditch attempts to reinstate all UN sanctions against Iran ("snapback"). On economic issues, however, their dependence on Washington has become abundantly clear. Tehran in particular is disappointed with Europe's lack of independence, even if it will want to continue working with the Continent regardless.

Years of sanctions and bullying have not only hardened positions in capitals around the world, but also created facts on the ground that need to

be overcome through increased diplomacy. Restoring JCPOA compliance on all sides, negotiating a possible follow-on deal (such as more sanctions relief for extended deadlines), and beginning talks on regional security arrangements all fit into the Biden 2021-2024 agenda, despite a potential conservative turn in Iran after the 2021 presidential election.

For this to be possible, the Europeans and the incoming Biden administration will have to quickly agree on a common course. This transatlantic approach provides for intense but limited negotiations to restore the nuclear deal immediately after Biden's inauguration. Here the Europeans have to slip into their classic mediator role between Washington and Tehran in order to sound out the chances of an agreement.

After the election of a new – presumably very conservative – Iranian president, the even more difficult part will follow in the second half of 2021, for which European creativity and holistic views are required. Because then it will be a matter of addressing the regional dimension of proxy wars and mutual threat perceptions through negotiations and confidence-building measures. On the way to get there, first steps to cooperate on fighting the pandemic, on channeling migration, as well as on addressing environmental threats could help to establish reliable channels between the warring states.

There will still be transatlantic divergences, no doubt. Even with a likely new agreement on the nuclear front, the US and Europe will differ on how exactly to deal with Iran's missile program and its growing regional clout. While these threats are more pertinent for Europe because of geographical proximity, the Europeans also appear more inclined to acknowledge that Iran has its own legitimate security concerns. Given an entrenched US sanctions architecture, any future economic benefits for Iran are likely to again come from Europe, not the US (though with the latter's blessing). Still, the EU and US positions are expected to be much closer to one another than over the past four years, and together they hold more sway in getting the likes of China and Russia, Israel, and Saudi Arabia on board.

Lastly, a realignment with the US could help the Europeans overcome their irrelevance vis-à-vis Iran. Because Europe still lacks political and economic independence from the US, it has had few tools available in trying to uphold the nuclear deal in the face of US pressure. Moreover, the trajectory of the past two decades has shown that only when acting in tandem can Europe and the US achieve their own, and their shared, goals.

For as long as mutual enmity remains the defining feature along the Tehran–Washington axis, Europe will have to play a balancing role and approximate its own interests. Should the situation in Iran fundamentally change, however, Europe and the US could become competitors for partnership with the new powers that be, even under a Biden presidency. Still, devising and implementing a broad program for diplomacy together with Washington would also contribute to increased regional security. The latter is key in convincing partners on the ground who are mistrustful of any talks. Yet, now more than ever, such a diplomatic initiative is needed to break the stalemate and pave the way to end the dangerous confrontation.

Saudi Arabia, the UAE, and Iran: Moving Regional Issues from Zero-Sum to Red Lines

Neil Quilliam

Introduction

The Gulf Arab states, notably, Saudi Arabia and the UAE, felt aggrieved that Iran's regional behavior was not addressed by the Obama administration and the other P5+1 states when they signed the Joint Comprehensive Plan of Action (JCPOA) in 2015. Although they felt relief during the Trump presidency, especially when Donald Trump withdrew the US from the agreement in 2018, their fears have resurfaced now that Joe Biden is about to enter the White House and revive the agreement. However, the environment has changed markedly since 2015, and the Gulf states are arguably better positioned now to persuade the P5+1 to address regional issues, should President Biden fulfil his election pledge.

This article argues that instead of seeking to spoil US efforts to revive the JCPOA and wait out for a possible Republican president in 2025 or 2029, Saudi Arabia and the UAE would be better served by engaging actively with the P5+1 and ensuring that regional issues are on the negotiating table. However, they should not sit passively and whisper in the margins and expect to be invited to the table; they should badger and cajole their way to it. And yet, they must temper their expectations too. No revived agreement – in the form of the so-called JCPOA plus – is going to address all issues comprehensively or expunge the region of Iranian influence. Riyadh and Abu Dhabi should come to accept that Iran's influence in the region will remain – in one form or another – and they can use the opportunity of US re-engagement in the JCPOA to shape and determine the nature of Tehran's

influence. As the US begins its long slow draw down from the region, the Gulf states would do well to hedge against the eventuality early on. In fact, Abu Dhabi has already taken that step by normalizing diplomatic relations with Israel, but that may prove insufficient to manage the “Iran problem.”

It is clear that the US has neither the capacity nor the appetite to impose its will on the region, and so it will be left to the region’s states to play a more active role in curtailing Iran. This could be achieved by supporting Washington’s efforts to revive the JCPOA and pushing for regional issues to be addressed too, rather than simply seeking to subvert the agreement. Furthermore, instead of sporting a zero-sum approach towards Iran, which has not worked to date, Saudi Arabia and the UAE should draw up their own red lines of what they can and cannot accept from Iran in the region and use that as a basis for discussion.

Exit President Obama

Much has changed since US President Barack Obama told the Gulf Arab states that they would have to share the region with Iran. The JCPOA had caught them off guard; and though Saudi Arabia and the UAE, in particular, had counselled against addressing the nuclear issue in isolation of other pressing matters, including ballistic missiles and regional issues, amongst others, their advice fell on deaf ears. President Trump’s campaign of “maximum pressure” against Iran, therefore, unsurprisingly, sounded like music to their ears. It amounted to a sea change in the US approach to Iran, and their hearty embrace of the irascible president promised much in the years ahead.

When Trump first assumed office, most analysts and commentators believed that his behavior would be socialized by the weight of office and the pull of bureaucratic politics. Those assumptions proved to be incorrect, as he pushed ahead with a number of election pledges including withdrawing from the JCPOA on May 8, 2018 and then moving the US embassy from Tel Aviv to Jerusalem six days later. Although the embassy move was considered to be largely symbolic, rather than substantive, but one that will unlikely be undone by successive US administrations, the decision to leave the JCPOA, which had never passed through Congress to become a treaty, was viewed as a serious undertaking. It put to rest fears amongst the Gulf states that Obama’s pivot to Asia meant that they would have to share the region with Iran; and, in fact, Trump’s truculence would serve them well.

Although Trump's transactional approach to policymaking might have looked like an anathema to regional leaders who place high importance on building and maintaining strong durable relationships, his enthusiastic embrace of Saudi Arabia's King Salman and the UAE's Mohammed bin Zayed and support of Saudi Crown Prince Mohammed bin Salman during the turbulent times after Saudi dissident and journalist Jamal Khashoggi was murdered in Istanbul carried much promise. Of course, that promise appeared to be somewhat hollow, especially when Trump made off-the-cuff comments about the immediacy of Saudi Arabia's vulnerability should the US withdraw its troops from the kingdom, and more importantly when there was no US response whatsoever following Iranian missile strikes against Abqaiq and Khurais in September 2019.

The Saudi leadership may have cautioned the US against taking immediate action against Iran in response, but echoes of Obama's equivocation over the fate of Egypt's then-President Hosni Mubarak during the 2011 Arab uprising must have passed through the cloud-capped towers and palaces in the Gulf that month. In fact, the UAE took an early initiative to reach out to Iran following the missile strikes and other covert operations against UAE-berthed vessels in the Gulf in a bid to dial down tensions. Reports at the time suggested that Abu Dhabi's leaders were terrified that they would be next in line for Iranian missile strikes. The Abqaiq and Khurais attacks demonstrated at the time the limits of US security guarantees and, what is more, the limits of Trump's transactional approach to deal making. The Gulf states came to learn that whilst Trump's approach to the region differed to Obama's, both presidents appeared intent on drawing down diplomatic and political engagement and outsourcing military engagement to regional actors. To that end, beyond the bluster, bravado, and occasional shock tactic, US policy under Obama and Trump was not that different.

In spite of high expectations, Trump delivered little during his term of office. His so-called Deal of the Century fell at the first hurdle, unsurprisingly. There can be no doubt that relations between Israel and the UAE and Israel and Bahrain advanced whilst he was in the White House, and the team around him may have contributed towards creating an environment in which those relationships could move from private to public, but they were ultimately driven by the leaderships in Jerusalem, Abu Dhabi, and Manama – and Riyadh looked wistfully on.

In reality, the Trump years also delivered very little in terms of concrete outcomes on Iran. The policy of maximum pressure may have squeezed the Iranian population, but it did not persuade Tehran to change policy or enter into negotiations with the Trump administration. In fact, it raised the stakes, increased the risk of a major conflict, heightened the frequency of tit-for-tat exchanges and did little, if anything, to curtail Iranian influence in the region.

For some, the Trump approach was (partially) effective. The assassination of Quds Force commander Qassem Soleimani and Kataib Hezbollah commander Abu Mahdi al-Muhandis in January 2020 in Baghdad arguably reestablished US deterrence following Iranian missile strikes against energy infrastructure in Saudi Arabia in September 2019. Furthermore, Israel's assassination of nuclear scientist Mohsen Fakhrizadeh in Tehran, in November 2020, highlighted key vulnerabilities in Iran's security. Nevertheless, neither action nor indeed further such assassinations will force Iran to recalculate its regional strategy.

Enter President Biden

As Joe Biden waits to enter the White House on January 20, 2021, it is unsurprising, then, that the same Gulf Arab states are reticent of what the next four years will herald. Biden's incoming team has made it abundantly clear that they wish to revive the JCPOA, as the US begins to re-engage with its key partners in Europe, NATO and international organizations, such as the World Health Organization. Instead of preparing to play the role of spoiler for the next four years or sniping from the side, the GCC states, in particular the UAE and Saudi Arabia, should engage with the new US administration (and other P5+1 states) and work constructively to ensure that Iran's regional role is an essential part of wider discussions.

Working constructively does not mean simply insisting that Iran's influence in Yemen, Iraq, Syria, and Lebanon is rolled back. That is an unrealistic objective and adopting that approach will mean that talks will fall at the first hurdle. The zero-sum approach to Iran has failed time and again and, therefore, the GCC states need to develop a much more nuanced approach based on mapping out and prioritizing their interests and being willing to do the same with Iranian counterparts.

Whilst the phrase “sharing the region” sends shivers down Gulf leaders’ spines, many analysts and policymakers from Arab states interviewed for a forthcoming Chatham House report, by Sanam Vakil and Neil Quilliam, recognize that Tehran has legitimate interests in some regional states, including Iraq, Syria, and Lebanon. These range from security (Iraq), economic (Syria), and religious and cultural (Iraq, Syria and Lebanon) interests and should be considered seriously in fresh regional talks. At the same time, its influence in Yemen and the Palestinian territories was widely viewed as opportunistic and characterized as illegitimate.

Whereas the presence and activities of Iranian-backed proxy groups is considered to be a threat to sovereignty by nearly all Arab states and international partners as well, economic, religious, and cultural influences are viewed with less suspicion. In fact, Iran’s economic influence was regarded favorably and seen as a useful tool for bringing together otherwise competing parties and, at a more advanced stage, encouraging closer economic cooperation. Of course, it takes an impossible leap of faith to move from the current impasse where zero-sum thinking is *de rigueur* to a point where Saudi Arabia and Iran, for example, fund joint projects, but prioritizing GCC and Iranian interests in the region and identifying inflexion points would go some way to starting the process. For example, Iran considers Iraq to be critical to its national security, whilst Saudi Arabia affords that same priority to Yemen and that differentiation of itself opens up avenues for discussion.

Conclusion

Saudi Arabia’s relationship with the Biden administration looks set to be rocky in the coming years. The legacy of Riyadh’s war in Yemen and the Khashoggi assassination, amongst other things, will overshadow relations. As a consequence, the new administration will be less forgiving than the previous one, especially if Riyadh seeks to undermine the JCPOA. Therefore, Washington will expect a higher degree of contrition and compliance than was previously afforded to the Obama administration, and Riyadh’s increased vulnerability to Iranian threats will most likely make it forthcoming. The UAE, on the other hand, whilst unpopular with Democrats in general, has made a number of moves, including normalizing ties with Israel, which will stand it in better stead with the new US government than its neighbor. Having said that, both countries will be keen to ingratiate themselves with

the new administration early on and show support for its regional policies; Saudi Arabia, in particular, as a means of side-stepping opprobrium from Congress. There is no better place to start than with the JCPOA, where Riyadh and Abu Dhabi can show willingness and creatively outline the forms of Iranian influence in the region they are willing to countenance, but at the same time the US can draw thick red lines – for all to see – over which it will accept no transgression.

An Assessment of the Efforts to Mitigate the Impact of US Secondary Sanctions: The EU Blocking Statute and INSTEX

Hans-Jakob Schindler

From convergence to divergence: US withdrawal from the JCPOA

With the conclusion of the Joint Comprehensive Plan of Action (JCPOA)¹ and the unanimously passed United Nations Security Council resolution 2231 (2015), which endorsed the JCPOA,² both the United States and the European Union (EU) demonstrated a conversion of their strategic approaches towards limiting the Iranian nuclear program. As a consequence, the American and European sanctions architecture towards Iran worked in parallel and affected both jurisdictions in a harmonized manner.³

However, while the primary emphasis of the JCPOA concentrated on limiting the size and capabilities of the Iranian nuclear program, in 2017 the incoming Trump administration criticized the various provisions of the agreement as insufficient⁴ and emphasized that the Iranian missile program as well as Iran's regional posture areas should also be addressed.⁵ Soon after, in May 2018,⁶ it decided to unilaterally leave the JCPOA and reinstate those sanctions against Iran that the US government had lifted as part of the agreement.⁷ The sanctions were reactivated in two steps, in August⁸ and November 2018.⁹ Since that time, the US government has continued to regularly impose additional sanctions against Iran.¹⁰ Since it did not lift significant primary sanctions¹¹; the US sanctions reimposed in 2018 were primarily secondary sanctions¹² and therefore impacted private sector stakeholders in the EU rather than in the US.¹³

In contrast, the EU announced that it would work to preserve the agreement.¹⁴ This extended to maintaining legitimate economic ties with Iran.¹⁵ In order to

shield European companies from the impact of secondary US sanctions, the EU decided on a range of measures¹⁶; the two central ones – the EU Blocking Statute¹⁷ and the Instrument for Support of Trade Exchanges (INSTEX) – are the focus of this article.¹⁸ It will be argued that due to administrative as well as operational reasons neither measure was able to effectively fulfill its stated purpose. The article will conclude with a few key lessons learned during the past two years. Despite the declared wish of the incoming Biden administration to return to the JCPOA,¹⁹ and with it hope for a redeveloping convergence of the two sanctions architectures concerning Iran, future divergence on sanctions-related issues between the US and the EU cannot be excluded. Therefore, an impact assessment of these instruments and a short analysis of their legal and operational weaknesses seem useful.

Countermeasures taken by the European Union

1. The Blocking Statute

The Blocking Statute is a rarely used legal device²⁰ originally introduced by the EU in 1996 to shield European companies from the “extraterritorial effect of third-country laws.”²¹ The statute essentially has four main functions: 1) it requires European companies not to comply with those US sanctions outlined in the statute (Article 5); 2) it nullifies foreign court decisions against European companies as they relate to the third-country sanctions outlined in the statute (Article 4); 3) it allows companies to recover damages imposed by foreign regulators in EU courts (through seizures of respective third-country assets in Europe) (Article 6); and 4) it requires EU companies to document their business dealings with Iran (in this case) and any financial damages that may be incurred by the extraterritorial application of third-country sanctions (Article 2).²²

Although these provisions appear fairly strong in a legal sense, their application does not seem to have resulted in the desired effect. For example, EU trade with Iran was halved between 2018 and 2020,²³ and many European companies decided to end their business in Iran.²⁴ Furthermore, to date, there have only been a handful of enforcement actions by EU member states, some done under the version of the statute prior to 2018,²⁵ indicating that the statute was not frequently used.

According to critics, this relates to two major weaknesses of the statute – lack of enforcement and a certain openness in its language. The enforcement

of the provisions of the statute is delegated downwards to EU member states (Article 9) and a reporting requirement to the European Commission only relates to cases in which the statute was enforced (Article 10), rather than, for example, an annual reporting requirement of all member states concerning its enforcement (or lack thereof). This results in enforcement differences, since the individual member states must decide how to implement the statute and set its penalties into their national laws and regulations.²⁶

Furthermore, the statute is not a legal instrument to facilitate or encourage trade with Iran, but is intended only to shield European companies from the effects of secondary economic sanctions. Therefore, it is not an active instrument that member states can use but a purely defensive legal measure to which individuals or companies can take recourse²⁷ if they can show that they have in fact been affected by secondary sanctions.

Furthermore, in its guidance to the Blocking Statute, the EU stated that EU operators would not be required to do business with Iran and could do so “on the basis of their assessment of the economic situation.”²⁸ This language, of course, enabled companies to indirectly comply with secondary US sanctions by leaving Iran, emphasizing economic rather than compliance reasons for doing so.²⁹ Indeed, from the onset there was “significant momentum behind European companies leaving Iran.”³⁰ In this way, a conflict with secondary US sanctions provisions does not arise.

Finally, the effect of the statute is also limited due to the dominance of the US dollar in the international banking system, as European Commission Vice President Valdis Dombrovskis stated already in 2018.³¹ In order to enable payments from and to Iran without taking recourse to the international banking system, the EU decided to establish INSTEX.

2. *INSTEX*

As part of its initial announcement, the EU indicated that it would work towards facilitating payment mechanisms from and to Iran to counter the effects of secondary sanctions levied by the United States against the Iranian financial system.³² This led to the creation of INSTEX,³³ which began operating in June 2019.³⁴ INSTEX is a Paris-based company that is owned by several European countries.³⁵ Together with its Iranian counterpart, the Special Trade and Finance Instrument (STFI),³⁶ it represents a closed-loop system where payment claims are mutually settled via forfeiture³⁷ without

taking recourse to the US dollar and the SWIFT system.³⁸ INSTEX is currently limited to trade in humanitarian goods.³⁹ INSTEX-facilitated trade remains within the domain covered by the general licenses issued by the US Office of Foreign Assets Control (OFAC) that allow humanitarian trade with Iran⁴⁰ and does not present a conflict with US sanctions provisions. In order to ensure compliance with EU, UK, and UN sanctions provisions against Iran, INSTEX also offers due diligence services to European small- and medium-sized companies concerning their Iranian counterparts.⁴¹

However, while INSTEX presents a project of “remarkable political ambition”⁴² from the EU, the mechanism was not able to reverse the reduction of trade between Iran and Europe. Although INSTEX trading data are not publicly available, the first test transaction was reported only in March 2020,⁴³ demonstrating the various challenges the new mechanism had to encounter to become functional.⁴⁴ These challenges are, first, due diligence and compliance standards, which need to be applied equally both by INSTEX and STFI.⁴⁵ Second, STFI is owned by a range of Iranian banks,⁴⁶ which creates vulnerabilities as far as the sanctions exposure of these banks to US sanctions is concerned. Furthermore, since trade between Europe and Iran tends to operate with a significant imbalance,⁴⁷ INSTEX as a quasi-barter mechanism is unlikely to be able to function on a significant scale as this would require constant cross-border transactions to balance the system. This would be particularly the case if crude oil trade would be facilitated via INSTEX, something that the Iranian side has frequently demanded,⁴⁸ but was ultimately not included in the INSTEX trade facilitation.⁴⁹ In addition, European banks that accept INSTEX-related transactions may be exposed to indirect sanctions risk as such payments, while not originating in Iran, pertain to trade with Iran.⁵⁰ Therefore, rather than being able to facilitate new trading connections, INSTEX seems to work best in facilitating the continuation of established business relationships.⁵¹ Finally, with the creation of INSTEX as a separate payment mechanism, the EU runs the risk of encouraging the establishment of other separate payment mechanisms outside the SWIFT system and therefore may contribute to reducing the transparency of the global financial system.⁵² Interestingly, while remaining critical of INSTEX,⁵³ the US administration in 2020 decided to set up its own humanitarian payment channel via Swiss banks.⁵⁴

Therefore, while INSTEX established a new trading mechanism for EU companies with Iran, its structure and operations are necessarily limited by a range of legal and operational challenges. In consequence, this new tool, similarly to the Blocking Statute, while contributing to safeguard some EU trade with Iran ultimately proved largely insufficient in practical terms to maintain significant levels of trade. However, while the Blocking Statute could be improved to better shield EU companies from the effects of extraterritorial secondary sanctions in the future, INSTEX could begin to play an important role in the current situation if the new Biden administration wishes to send political signals to the Iranian side without having to take immediate recourse to sanctions relief.

Lessons learned

The Blocking Statute and the new INSTEX trade facilitation channel were the first efforts of the EU to mitigate the effect of secondary US sanctions, caused by the divergence in the sanctions approach on both sides of the Atlantic towards Iran following the Trump administration's unilateral withdrawal from the JCPOA. This brief article has argued that both mechanisms proved insufficient to reach their stated goal to maintain legitimate European trade with Iran. However, even the relative short experience with both mechanisms allows for a first assessment of their weaknesses, which could be improved should they become necessary again in the future.

The basic challenges for the EU when wishing to mitigate the effect of US secondary sanctions is the importance of the US market for EU companies⁵⁵ and the dominance of the US dollar in international trade, including the EU.⁵⁶ This demonstrates the importance for EU trade of maintaining convergence in sanctions strategies between the US and the EU. Any potential mitigation measures must be tailored to recognize these limitations and the role the US market plays in the European economy.

As far as the Blocking Statute is concerned, one significant weakness is its decentralized implementation by EU member states, which creates potentially uneven risk environments for companies. Consequently, a more centralized EU sanctions authority, tasked with implementing the statute across the EU and giving guidance to companies, may enhance the statute's impact.⁵⁷ Nevertheless, it seems unlikely that the statute will be effective

enough to offset the risk of large US fines for corporations with significant business interests in the US market.⁵⁸

The risk that INSTEX may encourage other economic zones to create their own special-purpose mechanisms and thus reduce transparency within the global financial system remains.⁵⁹ INSTEX also demonstrated the challenges of implementing a sanctions-compliant payment mechanism with a jurisdiction that has reduced business transparency.⁶⁰ However, given that INSTEX is focused on humanitarian trade, an issue that has gained significantly in relevance due to the global COVID-19 pandemic, it may be a vehicle to quickly increase humanitarian deliveries to Iran through the provision of a loan to Iran to purchase such goods.⁶¹ By using INSTEX and the US-created Swiss Humanitarian Trade Arrangement in parallel, the volume of such trade could be boosted without changing the respective US or EU sanctions environments first. Without the necessity of sanctions relief, this could be a potential opening gambit for the incoming Biden administration in return for Iran beginning to reduce its nuclear activities and returning to compliance with the restrictions outlined in the JCPOA.

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Biden's Iran Dilemma

Michael Singh

Ever since US President Donald Trump withdrew from the Iran nuclear agreement in May 2018, it has been assumed that American policy toward Tehran hinged on the outcome of the 2020 US presidential elections. A second Trump term, the conventional wisdom held, would mean the continuation of his policy of “maximum pressure” on Iran, whereas the election of former vice president Joe Biden would mean its end, and the US’ return to the 2015 nuclear deal, the Joint Comprehensive Plan of Action (JCPOA).

As an assessment of both men’s intentions, this analysis is correct – had Trump won reelection, it is all but certain that he would have hewed to his existing course on Iran. And President-elect Biden has been clear about his willingness to return to the JCPOA, hazarding a public offer of “compliance for compliance” to Iran’s leaders in an op-ed during the presidential campaign.

Yet as powerful as the occupant of the Oval Office may be, the US president’s intent is only one factor influencing the course of Iranian-American relations. And as different as their professed approaches may be, Trump and Biden share an objective – the negotiation of a stronger deal to supersede the JCPOA. In fact, they face the same obstacles to achieving it – an Iranian leadership that cannot give up its hostility to the United States and that has proven resistant to both disincentives and incentives to change its policies, regional partners who are wary of any US-Iran engagement, and a thus-far insufficient domestic consensus to sustain a diplomatic accord with Tehran.

It will now fall to President-elect Biden to do what President Trump could not in the four years allotted him – to devise a strategy to overcome these obstacles, win support from a sufficiently broad domestic and international coalition, and deliver a sustainable policy victory. What’s more, he must do

so while keeping Iran in its proper place according to US national-security priorities – important to be sure, but not nearly as critical as confronting other challenges, such as strategic competition from the likes of Russia and China. Success will be found neither in doubling down on pressure nor in “returning” to diplomacy, but in wielding those policy tools in concert in service of realistic goals, understanding that there will be no quick or easy exit from the task of deterring Tehran or from American commitments in the Middle East.

Seeing the problem in full but in proportion

Despite the heavy US focus on it as a national security challenge, Iran is a relatively weak country in objective terms. At its pre-“maximum pressure” apex in 2017, Iran’s economy paled in comparison to those of Saudi Arabia and Turkey, and was about equivalent to that of Sweden – a country whose population is less than one-eighth that of Iran. It is not inconceivable that Iran’s gross domestic product will be surpassed by those of its far-smaller neighbors, Israel and the United Arab Emirates (UAE), in the coming decades. Likewise, Iran’s military power is relatively meager – while its military manpower is large, concomitant with the size of its population, its military technology is badly outdated. And while Iran’s missile forces and asymmetric capabilities are much vaunted, they are also likely overhyped – Iran has a demonstrated ability to mount terror attacks and sow chaos, but has failed to win meaningful victories in Syria or elsewhere, or even to defend its own territory.

That Iran does not pose an existential threat to the US, or even a meaningful conventional military challenge, does not, however, mean that it poses no threat at all or that it is easily managed. Iran’s nuclear weapons aspirations – if decisively pursued and realized – would rend the Middle East’s strategic landscape and pose a grave danger to US allies and eventually the US itself. Its policies toward Israel and in Lebanon, Syria, Iraq, Afghanistan, and elsewhere work at odds with US plans and interests, and indeed are designed to do so. Moreover, these apparently disparate threats are actually tied inextricably together. Iran’s nuclear pursuits are not separate from but rather part and parcel of a broader strategy of cultivating asymmetric and strategic forms of power in order to hold stronger adversaries at bay. And its anti-Americanism is a key part of its ruling regime’s ideology and identity,

which it likely is not capable of yielding absent a more thoroughgoing domestic change.

Together, these two observations encapsulate the particular challenge Iran poses – it is a real threat, but also potentially a real distraction from the higher priorities that Biden should and undoubtedly will have to manage as he enters office. Iran cannot be co-opted or ignored, but neither should it be permitted to stand in the way of a reorientation of American national security strategy or a right-sizing of US strategy in the Middle East.

No silver bullets

It is unsurprising that, faced with this challenge, past US administrations have reached for silver bullets – policies that promised high returns at little cost to Washington. The JCPOA represented an attempt to resolve the nuclear issue alone, both as a means to address the most serious threat Iran posed to American interests as well as to diffuse US-Iran tensions and possibly open the door to a broader rapprochement. Yet the deal suffered from two key shortcomings: first, Iran insisted on retaining what amounted to a nuclear weapons option by keeping the key elements of its program.; and second, because Iran was not required to – and had no intention to – back off its other challenges to US interests or otherwise end its hostility toward the US, Washington retained the incentive to wield sanctions against it. The result was a short-lived deal which not only failed to grapple with the linkages between Iran's nuclear activities and its other policies – as well as between the US responses to both – but did not put to rest concerns over its nuclear program itself.

At the other end of the policy spectrum, Trump sought to bring economic pressure to bear on Iran – “maximum pressure,” in the words of his administration – to compel it to negotiate a comprehensive accord that would more significantly curtail its nuclear activities as well as address other Iranian policies objectionable to Washington. However, the administration overestimated what could be accomplished by economic coercion alone. The casual logic of coercion is compelling – it makes sense that a weak state should yield when threatened with ruin by a vastly more powerful adversary. Yet experience demonstrates that such attempts at coercion often fail – weak states facing strong foes tend to see their conflict in existential terms and view concessions, not pressure, as the greater risk to regime survival. The

Trump administration managed to bring other forms of pressure – military as well as diplomatic, in the form of the 2020 “Abraham Accords” – to bear only late in its single term, and never offered a diplomatic proposal that garnered the sort of allied support that might have cornered Tehran.

The way forward

For President-elect Biden, successful policy on Iran must start with clear and realistic objectives, and a commitment of the means to achieve them. The primary threat that Iran poses to the US is nuclear, but as noted above it is certainly not the only one. Iran’s nuclear activities and its regional policies are parts of a single strategy that aims to turn Iranian weakness into strength and paralyze stronger foes; likewise, the US policy options for responding to each overlap considerably.

While this might seem to argue for addressing all of the threats Iran poses to the US in a single deal, such a policy would be costly and ultimately unsuccessful. Even attempting to negotiate a “grand bargain” with Iran would risk inadvertently bolstering Iranian prestige by treating it as a peer of the US in addressing regional disputes. And for that price, the US would likely receive little. Asking Iran to forsake not just its nuclear and missile programs but its support for proxies and other regional activities – or for that matter to relinquish its hostility toward the US – is to ask it to abandon wholesale its national security strategy and revolutionary ideology, and it is difficult to imagine that there are any incentives that would persuade the current leadership in Tehran to do so.

Fortunately, the US has myriad policy tools at its disposal beyond bilateral talks with Iran, which, when wielded in concert, hold greater promise than any attempt at a grand bargain would. Addressing Iran’s regional activities should begin with the observation that more worrisome than Tehran’s strengths are its neighbors’ weaknesses: as much as it seeks to destabilize its neighbors across the Gulf, Iran enjoys greater success intervening in states and territories that are already in tumult, such as Syria, Iraq, and Yemen.

Countering Iran’s regional adventurism may thus be most effectively accomplished by preventing the emergence of new conflicts, by strengthening the resilience of US allies in the face of Iran’s asymmetric capabilities, and by continuing to strengthen the bonds among US allies to help them act in concert against mutual threats. For the Biden administration, such an approach

would serve a dual purpose, deterring Iran while better equipping US partners to address regional problems – including by engaging confidently in talks with Tehran, should they so choose – with less direct American intervention.

To strengthen the constraints on Iran's nuclear and missile program – important not only substantively but also in order to ensure bipartisan support and thus the long-term survival of any accord – the US will need to drive a harder but not impossible bargain. This will require not just the openness to diplomacy and compromise that Biden has already shown, but a willingness to take the steps needed to worsen Iran's alternatives to a new negotiated deal – including the perhaps politically unpalatable step of keeping up much of the economic pressure imposed by the Trump administration. By marrying sanctions to a diplomatic proposal that garners allied support, Biden may ironically fulfill his predecessor's hope that US leverage could deliver a stronger nuclear deal. Relieving that pressure at the outset, however, would leave Iran with little incentive to engage in further talks.

The Biden administration should also approach the nuclear challenge from the outside-in, pairing its approaches to Iran and other would-be proliferators with an effort to strengthen the global nonproliferation regime, denying both Tehran and others the benefit of what is currently a permissive environment to advance their nuclear efforts while remaining in compliance with the Nonproliferation Treaty and associated agreements.

The past eight years demonstrate that US policy toward Iran must also account for the role of coalitions, both domestic and international. The new administration will find itself negotiating Iran policy not just with the Iranians themselves, but – implicitly, at least – with partners in the Middle East, Europe, and elsewhere, as well as with domestic actors such as Congress. President Barack Obama's Iran policy was undone by its lack of support in Congress and in the Middle East; President Trump's was undermined by his lack of support outside those constituencies, despite the pressure the US was able to bring to bear unilaterally.

To avoid his predecessors' travails, President-elect Biden will need to identify a "minimum sufficient coalition" of domestic and international parties whose support is necessary for his policy to succeed – a grouping which must undoubtedly include at least some critics of the JCPOA from his own Democratic party and the Republican party. Neglecting these critics – or states like Israel and the UAE, with the will and capacity to

act independently – may mean easier dealings with Tehran, but surely will not mean more successful or sustainable policy. While this task may seem daunting, there is in fact more convergence than divergence between Republicans and Democrats, and between the US and its allies, on Iran – all broadly agree on the need both for a stronger nuclear deal and for a firmer response to Iran’s regional policies.

Too often, US administrations have aimed to “solve” American problems with Iran, reaching for silver bullets they hope will deliver transformative outcomes. A better approach may be to manage these problems by deterring and containing Iran, preventing worst-case outcomes while designing a broader Middle East policy consistent with a shift in focus to strategic competition and aiming to prevent Iran from interfering with its execution. Such a policy will necessarily be multilateral, comprehensive, and sustainable, and holds the greatest chance both to stymie Iranian alternatives to compromise and break down barriers within Washington’s own domestic and international coalition.

French-Iranian Relations: Between Ideological Confrontation and *Realpolitik*

Clément Therme

Since the end of the period between 2003 and 2005, European and French foreign policy towards Iran have followed the US lead under both Republican and Democratic administrations. The myth of European-led nuclear negotiations with Iran, conducted without interruption from 2003 to 2015, is to a significant extent the product of a rewriting of history by diplomatic actors from the Quai d'Orsay. In constructing this myth, their objective is to downplay the hardline stance taken by France on the Iranian nuclear issue before the conclusion of the Iran deal in 2015.¹ It is true that the European “E3” – France, Germany, and the UK – played a major diplomatic role between 2003 and 2005 at the initial stage of the internationalization of the Iranian nuclear issue. Nevertheless, the Western strategic line has always been defined by Washington, despite a nominally independent European diplomatic initiative and a European-led administrative framework. Indeed, for reasons related to the lack of European economic sovereignty and the refusal of Europeans to really implement a policy of independence from Washington on this issue, the 2005-2007 period is marked by the end of a European alternative for a resolution of the Iranian nuclear dossier throughout a Brussels-led diplomatic process.

Since 2007, one has to consider the progressive alignment of European capitals following US guidelines. This alignment cannot be hidden by the excuse made by French diplomats of Iran's unwillingness to cooperate to find a political solution to the nuclear issue. The 2008 election of Barack Obama as president resulted in the definition of a new US policy toward Iran that took the Europeans by surprise.² As a consequence, they took

formal responsibility of the nuclear negotiation but under the US umbrella. Indeed, the impetus for Washington's new Iran policy is a *sine qua non* condition for any European diplomatic engagement on this matter.³ The diplomatic empowerment of the European diplomatic apparatus by the Obama administration was in contradiction to the hardline stance taken by Brussels in the latter part of George W. Bush's presidency (2006-2009). Despite the contradiction on the substance of European policy towards Iran before and after the rise of the Obama administration, there is one element of continuity: European capitals were always the junior partner of the US administrations. The case of French-Iranian relations since 1979 is also a reflection of this difficulty to reconcile a realist perception of Iran, especially its economic potential for international companies and the transatlantic objective to build a common non-proliferation policy towards the Islamic Republic.

This hurdle to build a strong French-Iranian economic partnership is first and foremost due to the nature of the Iranian political regime. After the Islamic Revolution of 1979, the new Iranian foreign policy based on an anti-Western ideology (Khomeinism) meant the end of the French-Iranian alliance initiated by General Charles de Gaulle. At the end of the 1970s, Iran was Paris' first regional economic partner in the Middle East, and Iraq the second. In the 1980s, France's friendship with Saddam Hussein and its cobelligerent status alongside the Iraqi regime during the first Gulf War (1980-1988)⁴ transformed bilateral nuclear cooperation into a source of conflict. The Eurodif dispute would not be settled until the early 1990s, but cooperation in civil nuclear power never resumed.

Finally, while France sought to rebalance its bilateral relations in the Persian Gulf for the benefit of Iran after the Second Gulf War (1991), the limits of this new economic partnership can be best seen in the history of the French oil company Total's presence in the Iranian oil and gas sector from 1996 (South Pars 2 and 3) until the company's withdrawal from South Pars 11 in 2018.⁵ This partnership was first interrupted due to the new Iran policy of French president Nicolas Sarkozy, who decided in July 2007 to sacrifice French economic interests in Iran in favour of the nuclear non-proliferation cause. Paris then moved from a vision of Iran mainly based on regional issues and the promotion of economic interests to one shaped by a "strategic" outlook that focused almost exclusively on the so-called Iranian nuclear threat. This was the result of the takeover of the Iranian

nuclear dossier by the strategists against the realist regionalists within the French bureaucratic system. This ideological victory of the so-called French neoconservatives was based on the accusation that the regionalists had been too close to regional authoritarian regimes in general and the Iranian one in particular since the early 1990s. The strategists used the Iranian nuclear “threat” as a way to provide a new definition of French national interests based solely on the idea of non-proliferation rather than a more balanced policy that also takes into account the defense of French economic interests. This new French policy ended in 2015 with the Iran deal and the effort of French companies to return to the Iranian market after their first withdrawal in 2007.⁶

At the end of 2007, Sarkozy presented himself as a mediator between Washington and Tehran.⁷ This new diplomatic ambition was in contradiction to the hardening of the French position on the Iranian nuclear issue. It was therefore not surprising that this mediation failed, and Paris’ diplomatic initiative was in fact stillborn. Indeed, following the visit of Ali Akbar Velayati, former minister of Foreign Affairs and diplomatic adviser to the supreme leader, the French proposal for “large-scale bilateral nuclear cooperation in exchange for abandoning the activities of enrichment” on Iranian territory⁸ was rejected by the Islamic Republic because of the priority given by Tehran to direct negotiations with Washington, avoiding the European intermediary. The rupture of 2005-2007 in the official French discourse on Iran can best be explained by several factors: the regional policy of France, which focuses on relations with the Arab shore of the Persian Gulf and with Israel; the interests of the French military-industrial complex; the distorting prism of French *nuclearocracy* (the French Alternative Energies and Atomic Energy Commission [CEA]) and its obsession with Iranian nuclear program,⁹ as well as the choice to favor the alliance with the US by abandoning the Gaullist objective of independence.¹⁰

However, the Atlanticist dimension of Sarkozy’s foreign policy did not imply a break in the definition of France’s overall objectives, which remained unchanged. What did change were the means of achieving them. The new policy was based on the idea that France would be in a better position to realize its ambitions within the framework of the Atlantic alliance and the EU.¹¹ The turning point in Sarkozy’s foreign policy is clearly mentioned in the 2008 white paper on defense (*Livre blanc*), which calls the Iranian

nuclear program a “major threat, likely to disrupt international security in the years to come.”¹² Preventing the nuclearization of Iran became a strategic priority for France. The denial of the definition of the new policy in 2005-2007 towards Iran, however, continues to be at the center of the discourse of most French diplomatic actors involved in this process.

To avoid the Cornelian dilemma between the transatlantic friendship and the promotion of French businesses in Iran, President Emmanuel Macron has also presented himself as a mediator between President Donald Trump’s America and Iran. Yet Macron’s strategy faces hurdles. First, the idea that the US somehow needs France in order to negotiate with Tehran is flawed. The new US strategy is founded on the assumption that there is nothing to negotiate with the “rogue regime” in Tehran despite the confusion in Trump’s rhetorical support for talks with the Islamic Republic.¹³ Second, President Hassan Rouhani has frequently said he prefers to talk directly with Washington rather than with European countries in general and France in particular because, in the end, Washington is the main decision maker for the West – in Rouhani’s words, the US is *kadkhoda* (chief of the village).¹⁴ Second, the main asset of French diplomacy in dealing with Tehran is the economic incentive for French companies to invest in the country. But since May 2018, it is obvious that French economic actors follow US unilateral economic guidelines on Iran – not French ones.¹⁵ According to the EU representative for foreign policy, there is a need at the European level to protect European-Iran trade:

Iran, for its part, must return to full compliance with its nuclear obligations; but it also needs to be able to reap the economic benefits envisioned in the agreement. Having already established measures to protect our companies against extraterritorial US sanctions, we in Europe can do more to satisfy Iranian expectations for legitimate trade.¹⁶

This idea of a need to bolster European economic sovereignty is still a work in progress more than five years after the conclusion of the Iran deal and more than two years after the US withdrawal from it. As a consequence, trade became a source of dispute between European states and Iran. The effect for French-Iranian bilateral relations has been decisive. The fall of bilateral trade and the so-called mediating efforts of France have provoked

an Iranian rejection of any French influence on the nuclear dossier. Even if Rouhani continues to hold a dialogue with Macron, one has to consider the reinforcement of anti-French feelings amongst the most conservative political factions inside the Islamic Republic. In other words, rather than a decrease of international tensions around the Iranian nuclear issue and Tehran's regional policy, there is now a bilateral crisis between Tehran and Paris. This is the result of French regional alliances (both the "Arab policy" and the alliance with Israel), as well as the consequences of the untold story of French alignment with the Trump administration policy towards the Islamic Republic of Iran.

Notes

- 1 Parsi, T. (2017). *Losing an Enemy. Obama, Iran, and the Triumph of Diplomacy*. London: Yale University Press. p. 236.
- 2 "No one was shocked. Everyone was pissed off," in Kerry, J. (2018). *Every Day Is Extra*. New York: Simon Schuster. p. 497.
- 3 Personal interview with Stanislas de La Boulaye, Paris, April 2019.
- 4 See Angeli, C and Mesnier, S. (1992). *Notre allié Saddam*. Paris: Olivier Orban.
- 5 See Perrier, M. (2019). *L'autonomie relative des firmes transnationales françaises vis-à-vis de la diplomatie de l'État français : le cas du marché iranien depuis 2006*. Unpublished MA dissertation. Institut d'études politiques de Paris.
- 6 There were 40 business meetings between French and Iranian partners between 2015 and 2016 organized by the MEDEF (usually the number of business meetings for each Middle Eastern country is two per year). Personal interview with a MEDEF representative, Paris, September 27, 2018.
- 7 Araud, G. (January 2016). Un regard sur les négociations nucléaires avec l'Iran, *Les Carnets du CAPS*, 22.
- 8 Ibid.
- 9 On the role of the CEA as a foreign policy actor, see Blarel, N. and Sarkar, J. (July 2019). Substate Organizations as Foreign Policy Agents: New Evidence and Theory from India, Israel, and France. In *Foreign Policy Analysis* 15(3). pp. 413-31.
- 10 On the decisive period of George Pompidou and Giscard d'Estaing in shaping French policy in the Middle East, see Bourrat, F. (Summer 2020). La Politique française dans le golfe Persique: entre enjeux économiques et défis sécuritaires. *Confluences Méditerranée*, 113, pp. 91-104.
- 11 Talmor, A. and Selden, Z. (2017). Is French defence policy becoming more Atlanticist? *Cambridge Review of International Affairs* 30(2-3), p. 162.
- 12 See the French White Paper on Defence and National Security (*Livre Blanc sur la Défense*) of 2008, p. 27, <http://archives.livreblancdefenseetsecurite.gouv.fr/2008/>

- IMG/pdf/livre_blanc_tome1_partie1.pdf; Martin Briens believes that “the nuclear non-proliferation regime has so far not prevented the interruption of Iranian and North Korean military nuclear programs,” in Briens, M. (2007). Le régime international de non-prolifération est-il efficace? *Les Carnets du CAP*, February 20, p. 24.
- 13 Therme, C. (November 2, 2017). Macron, America and Iran: Searching for a Middle Way. *The Interpreter*, Lowy Institute. <https://www.lowyinstitute.org/the-interpreter/macron-america-and-iran-middle-way>. Also, John Bolton mentions in his memoir the meeting between Japanese Prime Minister Shinzo Abe and Supreme Leader Ali Khamenei: “Khamenei was far tougher than Rouhani had been the day before. This shows the folly of Macron and others (Trump included) talking to Rouhani rather than the ‘Supreme Leader.’ Was there something unclear about the title?” See Bolton, J. (2020). *The Room Where It Happened: A White House Memoir*. New York: Simon & Schuster, p. 354.
 - 14 See Etemadi, N. (April 18, 2014). Le Guide suprême croit-il vaincre les Américains par la négociation? Issy-les-Moulineaux, *RFI*. <http://www.rfi.fr/fr/mfi/20140418-iran-guide-supreme-americaains-negociation>
 - 15 Les entreprises françaises cèdent et quittent l’Iran. (June 6, 2018). *La Croix*. <https://www.la-croix.com/Journal/entreprises-francaises-cedent-quittent-Iran-2018-06-06-1100944762> (Last Access, 18 September 2020).
 - 16 Borrell, J. (July 14, 2020). Saving the Iran Nuclear Deal. *Project Syndicate*. <https://www.project-syndicate.org/commentary/iran-nuclear-deal-at-five-by-josep-borrell-2020-07>

Digging out from under “Maximum Pressure”: Tehran in 2021

Sanam Vakil

In 2021, Tehran will stand at a fork in the road and will be forced to choose between continued resistance or reorientation. The election to the presidency of Joe Biden in the US presents Iran with a unique chance to revisit its domestic, economic, regional, and international policies. After a grueling four years of sanctions and unrelenting pressure imposed by the Trump administration, Tehran has an opportunity to manage three interconnected crises that impact stability in the Islamic Republic – mounting international tensions, economic pain, and internal factional competition. Reducing pressure in these arenas is also necessary to also address the larger ever-critical issue of the supreme leader’s succession process.

One available route would be for Tehran to continue its current pathway of resistance seeking a limited offramp to shore up the domestic landscape. This track, accessible through nuclear talks with the Biden administration, offers Tehran a first opportunity to dial down friction and relieve sanctions needed to bring to life Iran’s languishing economy. Elections in June could see the return of a conservative to the post of president, after an eight-year hiatus, bringing greater factional unity and alignment to the competitive political system. This approach would provide a temporary reprieve but would leave the contentious issues of Iran’s regional role unaddressed, inviting further rounds of conflict, patterns of pressure, and domestic uncertainty on the horizon.

To dig out from the larger morass of crisis-driven politics, an alternate route is available for Iran. It would require the political establishment to engage in broader negotiations beyond the prism of the nuclear file.

Effectively, dialogue and conflict resolution could help the Islamic Republic rehabilitate itself internationally and enable meaningful sanctions relief that would allow for open economic engagement and the rebuilding of fragile political legitimacy. This path, however, would require Tehran to come to pragmatic terms with the US and its regional neighbors in wider negotiations, ultimately reorienting its international posture. How and to what extent Tehran succeeds in relieving itself from international pressure and managing these domestic processes will determine its future trajectory.

Throughout 2020, Tehran has found itself in unrelenting crisis mode. The country has been beset with crippling economic sanctions stemming from President Donald Trump's "maximum pressure" campaign. The result has limited Iran's trade, estimated to reach some \$100 billion in losses in reduced oil exports and suspension of the country's banking links, for example, and seen an unprecedented currency devaluation and ongoing recession. COVID-19 has ravaged the country, leaving over 53,000 deaths so far and in the wake of sanctions exposed the government's limited ability to respond effectively. Public sentiment captured in recent polling by the University of Maryland and IranPoll blames domestic mismanagement and corruption more than sanctions for Iran's current economic predicament. Environmental degradation remains unaddressed. Human rights violations, repression, and the detention of activists and dual nationals have also continued unabated.

In an unexpected American drone strike, Iran's celebrated IRGC commander Qassem Soleimani was killed on January 3, 2020. The grief and outpouring of public sympathy from this incident was destroyed when days later, during these heightened tensions, a Ukrainian airliner was mistakenly shot down killing 176 passengers on board. After an initial denial and attempted cover up, the government belatedly accepted responsibility unleashing public anger at its gross negligence and incompetence. Parliamentary elections held in February resulted in record-low voter turnout of 42 percent, revealing new levels of public apathy and bringing a new conservative cohort to power. President Hassan Rouhani has since been the target of significant criticism for his failed economic and international policies, leaving him with little room to maneuver.

Throughout this period, Iran used incremental breaches to the Iran nuclear agreement, or Joint Comprehensive Plan of Action (JCPOA), to increase its negotiating leverage while awaiting the outcome of the November US

presidential election. Its Natanz enrichment facility was sabotaged in July and its preeminent nuclear scientist, Mohsen Fakhrizadeh, was assassinated on Iranian soil in December. Recognizing the unpredictability of the Trump administration, Tehran has exercised greater regional restraint with Iraqi-backed militias, declaring a conditional ceasefire in October.

Nevertheless, it is important to note that despite these challenges, Tehran did not buckle or give way to the Trump administration’s demands to alter its regional behavior or return to the negotiating table. True to its form and reflective of its situational and strategic awareness, Iran continues to play the long game, appropriately recognizing that Biden’s election affords Tehran an opportunity to level the playing field with a new leader in the White House.

Biden has declared his intention of returning to the JCPOA on a “compliance for compliance” basis. In a process that would take a number of months to achieve, Tehran would be required to reverse its nuclear breaches, and in exchange the US would remove the myriad nuclear-related sanctions. This course would address the immediate nuclear crisis and see a limited rebound in the Iranian economy. Without further deliberations and a follow-on agreement though this route would not tackle the JCPOA’s deficiencies nor deal with the contentious issues of Iran’s ballistic missile program and regional activities. More importantly, in this scenario, international companies remain reluctant to return to the Iranian market without guarantees.

To accomplish these broader objectives and to insulate the JCPOA from future swings in partisan politics and regional pressure, a subsequent agreement would be urgently needed. Biden has already announced his intention to push for wider discussions, stating that “in consultation with our allies and partners, we’re going to engage in negotiations and follow-on agreements to tighten and lengthen Iran’s nuclear constraints, as well as address the missile program.”

For the time being, Tehran has committed solely to a JCPOA reentry. Returning to the status quo ante agreement is seen to be the most expedient pathway to obtain quick sanctions relief. Moreover, protracted negotiations would no doubt delay the reprieve process placing ordinary Iranians under further economic duress. Supreme Leader Ali Khamenei has greenlighted this course stating, “If the sanctions can be lifted, we should not delay even one hour... If the sanctions can be lifted in the right, wise... and dignified way, this must be done.”

Divergent voices within the system have sent mixed signals about the prospect of future negotiations though. The Rouhani team has hinted that wider issues can be discussed after trust and confidence are incrementally rebuilt through the JCPOA process. For them, the JCPOA reentry is a first step to broader discussions. At the same time though, conservative politicians, such as Speaker of the Parliament Mohammad Bagher Ghalibaf, have categorically rebuffed those plans for wider talks on Iran's defense posture. Conservatives see Rouhani's international negotiation efforts as a failure and are eager to take the helm and demonstrate their tougher negotiation skills. To see this through though and ultimately unlock the wider blocks on Iran's economy, conservatives will have to build factional consensus on the scope of future regional discussions. Arrangements on Tehran's support for militias groups around the Middle East and proliferation of lethal aid to these groups would be required alongside compromises from other regional actors. The parameters of these issues and Tehran's regional investments have not yet been opened to public debate.

Factional tensions and political competition in advance of the presidential elections can explain the contending views and uncertain direction here. Conservatives remain wary of the Western dual approach of outreach and pressure and see such efforts as part of a campaign of wider destabilization. Compared to the experience of the JCPOA strategy that yielded no economic support despite Iranian compliance, they see Tehran's asymmetrical regional posture as having shielded Iran from maximum pressure. Ultimately, they view regional compromises as existential ones that would in turn compromise Iran's security.

Conservative politicians, while not a monolithic bloc, in general, see the forthcoming elections as an opportunity to reclaim control of the executive where they can redirect policy towards their strategy of national resistance. They have been bolstered by a victory in parliament and in the country's ability to withstand Trump's sanctions. Supreme Leader Khamenei has hinted that the ideal candidate should be "young" and able to consolidate "a pious government." It is too early to predict which candidates will present themselves for Guardian Council vetting, but in a sign of concern regarding public participation, conservatives have been fielding names, many with ties to the military establishment, to test who might garner more public interest.

Going forward, an important signpost of their strength will be evidence of conservative unity and support for one strong candidate over a tradition of competitive infighting. Moreover, as the president and cabinet will inevitably be involved in future negotiations, the background and experience of potential candidates will be seen as critical. Reformist posture in this climate will be equally important and predicated on the success of the JCPOA process. If that compliance process is swift and smooth, then their value could rise, boosting electoral participation and the emergence of a surprise candidate.

Over these choices looms the issue of the supreme leader’s succession and Khamenei’s legacy. The election of a conservative president is seen as an important stepping stone to securing the institutional unity needed to shepherd a smooth transition of power. At the same time though, Khamenei must weigh the impact of these crises and conflicts against the challenge of weakening internal legitimacy. How he maps and manages Iran’s concentric crises and charts a pathway forward will define the selection of a successor and thereby his leadership.

Iran's Leader at the Crossroads: Between Fundamental Principles and Pragmatism

Raz Zimmt

On February 13, 2019, Iran's supreme leader, Ali Khamenei, published¹ an "important and strategic message" to mark the 40th anniversary of the Islamic Revolution. In the message, Khamenei listed the achievements of the revolution and presented a roadmap for the implementation of the "second stage" of the revolution's path. Regarding foreign policy, Khamenei noted that the international arena is facing an "Islamic awakening" that is based on the model of resistance to American and Zionist dominance, and that the United States and its allies have failed while Iran has expanded its presence in the region. He emphasized that no problem with the US can be solved and that negotiations with it will not bear any fruit, except for material and moral damage. To a certain extent, one can see this roadmap as the political last will of the 82-year-old Khamenei, who is nearing the end of his tenure, and it indicates his determination to uphold the values of the revolution given the significant internal and external challenges that the Islamic Republic is facing.

Joe Biden's victory in the US presidential elections and the possibility of renewing the negotiations between Tehran and Washington raise anew the question of the Iranian leader's willingness to adapt the revolutionary ideology to the changing reality and adopt a compromising approach towards the US and the implementation of his country's overarching objectives. In the Iranian political system, a serious debate is already taking place regarding Iran's return to negotiations with the US. The pragmatic circles, led by President Hassan Rouhani, support in principle the renewal of dialogue with Washington. Following Biden's victory, Rouhani declared² that he would

do everything necessary to remove the sanctions imposed on Iran and to improve the condition of the Iranian people. In contrast, the hardliners, who objected to the agreement and to the president's willingness for compromise with the West in the first place, reject a return to negotiations, arguing that the US cannot be trusted.

This debate will be settled, ultimately, by Iran's leader, who will need to decide whether to permit the president to return to the negotiating table or to persist with his recalcitrant approach and insist on his demand to remove the sanctions, and even American compensation, as a precondition for renewing talks. His decision will, to a great extent, be derived from the sense of urgency given the severe economic crisis, especially against the backdrop of the COVID-19 crisis, as well as the Biden administration's willingness to agree to lift the sanctions should Iran return to its commitments in the nuclear deal. In the short term, Khamenei will also face political considerations, centered on the dilemma of whether to allow President Rouhani to advance negotiations at the current stage based on the presumption that his chances of success are greater than those of a new president, or to reject Rouhani's desire to renew the talks in order not to strengthen the standing of his supporters in the pragmatic camp in the lead-up to the presidential elections slated for June 2021.

At the base of the Iranian leader's decision on whether to renew negotiations with the US and agree to additional concessions on its nuclear program is his fundamental conception of the nuclear strategy and his basic distrust towards the US. Khamenei has never changed his view that a military nuclear threshold capability will provide Iran with effective deterrence against its enemies and consequently constitutes an indispensable "insurance policy" for the regime's continued survival. The Iranian nuclear program, which was frozen following the Islamic Revolution by order of the founder of the revolution, Ayatollah Ruhollah Khomeini, was renewed in the 1980s in light of Iraq's efforts to develop unconventional weapons and as a lesson from Iran's failure to achieve victory in the war against Iraq.

Nor has Khamenei backed down from his stance that the nuclear program is just an excuse for the West to pressure, isolate, and weaken Iran in order to prepare the ground for the implementation of the central strategic objective: replacing the Islamic regime. In a speech that he gave to mark the 35th anniversary of the Islamic Revolution,³ Khamenei claimed that the US is

continuing its efforts to advance regime change in Iran. “American politicians claim to Iranian officials that they do not intend to change the regime in Iran,” Khamenei said, “but they are lying. They will not hesitate even for one minute if they are able to destroy the basis of the Islamic Republic.” On several occasions, Khamenei has reiterated his position that the nuclear issue is just an excuse⁴ for the US to prevent Iran’s technological advancement. On one occasion he emphasized that the West’s efforts to amplify the Iranian nuclear threat are based on a lie, as the West is afraid of an Islamic Iran, not a nuclear Iran.⁵

In the midst of the nuclear negotiations between Iran and the West, the official website of the supreme leader published an infographic titled, “The nuclear program is an excuse.”⁶ The infographic depicts nine matchsticks that symbolize claims raised by the West against Iran on various issues, such as its attitude towards Israel, its support for the “resistance front” in the region, the Iranian missile program, and human rights in Iran. These claims will, in the view of the Iranian regime, be used by the Western countries to justify their hostile policy toward the Islamic Republic even if the nuclear issue is resolved. Former Libyan leader Muammar Gaddafi’s agreement to dismantle his country’s nuclear program in 2003, which did not ultimately prevent his overthrow with the assistance of the Western countries, is provided by Khamenei as evidence of Iran being right in refusing to give in to the West’s demands in return for Western benefits, which are likened to a “a lollipop for children.”⁷

While the entire leadership of the Iranian regime shares basic conceptions on the nuclear issue, Khamenei and Rouhani have different views on the preferred strategy towards the US. Unlike the president, who sees in direct dialogue with the US potential for adopting a more open policy towards the West, the supreme leader maintains his fundamental position that rejects any possibility of normalizing relations between the countries. For Khamenei, the US is the source of all of the world’s evils and is responsible for the anti-Iranian policy in the region and the world. Even after approving dialogue with the US, Khamenei repeatedly demonstrated a strict approach that does not leave much room for compromise and ensures that his country will continue to stand against US President Donald Trump’s withdrawal from the nuclear deal in May 2018; that move was seen by Khamenei as proof of his basic belief that it is impossible to trust the US and agreements signed with

it, and that the nuclear program was just an excuse for the US to pressure, isolate, and weaken Iran to prepare the ground for regime change in Iran.

The differences in approach between the supreme leader and the president are also expressed in their attitudes to the benefits of lifting the sanctions. The latter recognizes that extricating the Iranian economy from the deep crisis that it has been subject to in recent years requires the removal of the sanctions, even at the cost of compromises on the nuclear issue. This recognition was expressed in Rouhani's declaration during the 2013 presidential elections that the centrifuges need to spin, as long as the lives of citizens and the economy continue to move forward.⁸ In contrast, Khamenei rejects the notion that the economic problems stem from the international sanctions, and that Iran should surrender to the West's dictates in order to remove them. Khamenei is aware of the economic distress, but adheres to his position that the solution to the crisis lies in a resistance economy⁹ that focuses on reducing Iran's dependence on external factors and on self-reliance. On several occasions, he has emphasized the need to reduce economic dependence on oil and to develop local industries as a means of achieving economic growth, and has said that a resistance economy would provide Iran with immunity to external threats and sanctions.

Khamenei's position regarding the uselessness of the attempt to remove the sanctions stood out in his declarations¹⁰ before members of the Supreme Council of Economic Cooperation, which convened on November 24, 2020. In his remarks, Khamenei said that the only way to cope with the sanctions is to neutralize them. He noted that Iran has tried for years to have them lifted through negotiations, but this has not borne fruit. Even prior to the US' withdrawal from the nuclear deal, Khamenei claimed that the removal of the sanctions on Iran following the agreement was only on paper,¹¹ and that in practice the Western countries have not demonstrated a willingness to renew their economic activity in Iran.

Despite these positions in principle, Khamenei agreed to conduct negotiations with the US and even agreed to concessions, which temporarily kept Iran away from the military nuclear threshold. His decision to permit President Rouhani to conduct negotiations on a nuclear settlement that would enable the removal of the economic sanctions expressed well his willingness to be flexible in his positions and to reach a compromise. The leader referred to his support for diplomacy as "heroic flexibility," a term

connected to the peace agreement that the second Shia Imam, Hasan ibn Ali, signed with the Umayyad Caliph Muawiyah ibn Abu Sufyan in 661 CE. In his speech¹² in September 2013 before the commanders of the Revolutionary Guard, Khamenei expressed flexibility in his stance in saying that he does not oppose correct diplomatic steps as long as Iran remains committed to its principles.

The sanctions played a significant role in Khamenei's decision to allow the negotiations, but it also stemmed from developments in the political arena in Iran and from the achievements that Iran reached in its nuclear program. Even though secret talks between Iran and the US had already begun at the end of the presidency of Mahmoud Ahmadinejad, the election of Rouhani as president in the summer of 2013 created an opportunity for change in Iran's policy, with backing from the leader. In the nuclear sphere, in 2012 Iran achieved significant progress that enabled it to temporarily suspend some of its nuclear activities without giving up on the strategic objective of developing a military nuclear option. In addition, the Obama administration's willingness to recognize for the first time Iran's right to enrich uranium was essential to paving the way to a diplomatic agreement.

Against the backdrop of Khamenei's conceptions, we can understand his positions regarding the possibility of renewing nuclear negotiations after Biden's victory in the US elections: a demand for the complete removal of the sanctions that were imposed by the Trump administration as a precondition for returning to the nuclear agreement and emphasizing that the nuclear deal is a *fait accompli* and is not subject to negotiation. From Khamenei's perspective, a willingness for additional concessions on the part of Iran in order to bring about the removal of the sanctions at the present time would be an admission that the "maximum pressure" policy has succeeded. Khamenei presumes that a willingness for renewed discussion on the conditions of the nuclear deal would be interpreted as an expression of weakness domestically and externally, and as surrendering to the unjust demands of the US after it unilaterally violated the agreement. Furthermore, he sees significant concessions regarding the nuclear program and the long-range missile program, which he calls an insurance policy for the survival of the regime, as a significant risk to the regime, including in relation to the challenges that it faces following the deepening of the economic crisis and the increase in popular protest.

Furthermore, Khamenei believes that the American administration's policy has proven that Iran cannot be provided with guarantees that even if the sanctions are lifted, they will not be restored in the future each time the American administration seeks to achieve additional Iranian concessions. Because it is not possible to trust the US to abide by its commitments, the only path that allows Iran to cope with the economic challenges over time is by neutralizing the sanctions and not through their removal by surrendering its principles.

This does not mean that Khamenei will not be willing in the future, as he was in the past, to engage in tactical compromises in accordance with the changing circumstances. Since the beginning of the revolution, Iranian policy has indicated a large degree of pragmatism, especially when there is a conflict between the revolutionary ideology and national interests. However, his willingness to compromise, which would mean a significant retreat from his country's overarching strategic objectives, is highly unlikely, especially considering his desire to ensure his legacy towards the end of his tenure.

Notes

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Relations between Iran and the United States reached a low point at the end of the Trump administration. Harsh sanctions, the elimination of Quds Force commander Qassem Soleimani, billion-dollar arms sales to the Gulf states, and normalization agreements between Israel and the United Arab Emirates and Bahrain were all encouraged by Washington in the recent past.

The year 2021 began with a change of administration in the US and it will also see a change of president in Iran. The possibility of a return to the nuclear agreement, the JCPOA, is on the table, with a clear demand both for its improvement and for some reference being made to Iran's missile program and regional policy.

This monograph comprises a collection of articles written by experts from the US, Europe, and Israel. Each article sheds light on a different aspect of the complex relations between Iran and the West, their prospects, and their implications for the wider Middle East.

The collection was edited by Sima Shine, head of the Iran Program at the Institute for National Security Studies (INSS).