



Commentary

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How the EU Can Soften Iran-U.S. Tensions

The alarming escalation between the U.S. and Iran risks unravelling the nuclear deal, prompting direct military engagement and destabilising the Arabian Peninsula. In this excerpt from its Watch List 2019 – Second Update, Crisis Group urges the European Union and its member states to de-escalate tensions and maximise efforts to preserve the nuclear deal.

Tensions between Iran and the U.S. have grown at an alarming pace in recent months. The Trump administration's "maximum pressure" campaign, following its withdrawal from the 2015 nuclear deal, has inflicted significant harm on Iran's economy – an estimated 80 per cent of which is now under unilateral sanctions. Yet economic coercion has so far failed to either compel Iran to change its behaviour in the desired direction or bring it to the negotiating table. Instead, it has responded by shooting down a U.S. drone, claiming it had entered Iranian airspace; it is also accused by many of attacking tankers near the Strait of Hormuz and by the U.S. of encouraging its Shiite militia allies in Iraq to target U.S. assets.

This escalation poses three distinct threats: the unravelling of the Joint Comprehensive Plan of Action (JCPOA), which constrained

Iran's nuclear program; the possibility of a direct military engagement between Iran and the U.S., by design or miscalculation; and broader regional spillover across a series of flashpoints. These threats could jeopardise European security, especially the latter two scenarios. Europe should save the JCPOA by honouring its commitments and trying to contain (and de-escalate) tensions between Tehran and Washington.

The EU, working closely with its member states, should take the following steps to:

- Intensify ongoing efforts to facilitate trade with Iran through the special-purpose vehicle (INSTEX) by injecting export credit into it and expanding it to other EU and non-EU states to pre-empt further incremental breaches of the JCPOA's nuclear restrictions by Tehran. To ensure compliance, the EU should continue to strike a careful balance between supporting the consolidation and expansion of INSTEX and criticising Iran's missile program, regional policies and human rights record; and it should stay united in its response to any further breaches of the JCPOA by Iran.
- In parallel, expand, deepen, and broaden existing cooperation with Iran on development projects to demonstrate its willingness to invest in Iran and help improve the Iranian people's economic well-being regardless of Washington's hostile policies toward Iran. In this vein, the EU should consider hiring

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a Persian-language spokesperson to better communicate its goals and plans to Tehran and the Iranian public.

- Explore opportunities for expanding the existing E4-Iran dialogue framework for Yemen and Syria to include other regional issues, such as stability in Iraq and Afghanistan.
- Forge discreet channels for dialogue on areas of disagreement with Tehran, such as Iran's ballistic missiles program and human rights record, and help open communication channels between Iran and regional actors as well as between Iran and the U.S. to de-escalate tensions and prevent a military conflict by miscalculation.
- Explore the possibility of initiating and supporting a regional dialogue on reducing tensions and preventing the inadvertent outbreak of conflict.

Safeguarding a Beleaguered Deal

The EU played a key role in shepherding the arduous negotiations that yielded the Iran nuclear deal four years ago. Today it has an even more critical role in preventing the JCPOA from unravelling. Since the agreement was implemented, and especially after the U.S. withdrawal in May 2018, Iran has seen the JCPOA's core bargain (limiting its nuclear program in return for economic normalisation) break down under the pressure of intensified U.S. sanctions. In May 2019, Tehran began to take incremental (but still reversible) steps reducing its compliance. These became concrete in early July, when Iran surpassed the 3.67 per cent uranium stockpile threshold, which the JCPOA capped at 300kg, and started enriching above that level in violation of the deal's terms. It also threatened to take additional steps by 6 August if the remaining parties to the deal fail to salvage its economy in the face of U.S. sanctions. The challenge, now and over the coming year, is to protect an accord that has delivered crucial non-proliferation gains.

A second growing concern is the possibility of a direct military clash between the U.S. and Iran. Washington has been progressively bolstering its military presence in the region in response to assessments of heightened Iranian threats. The fact that the U.S. came close to launching a retaliatory strike in mid-June after Iran shot down a U.S. drone it claimed had breached Iranian airspace underscores how precarious the situation has become. If Washington continues to pursue a coercive maximalist strategy whose endgame is Iran's capitulation rather than diplomatic engagement, the short- to medium-term prospects point to growing friction rather than de-escalation, let alone a major diplomatic breakthrough of the type President Trump says he is championing.

Rising tensions could ignite a confrontation in several ways. Should Iran continue to breach the JCPOA limits, its activities could reach a point that the U.S. and Israel find intolerable and conduct a military operation against Iran's nuclear installations. From its side, Iran, through its own forces or local allies, could target U.S. interests or those of its partners; the U.S. has asserted that any American deaths would prompt a muscular response. May and June already saw a string of attacks against shipping in and around the Gulf of Oman, responsibility for which Washington explicitly pinned on Tehran. The spark need not be intentional: deep mistrust and limited communications channels could allow an isolated and accidental incident to quickly spin out of control. Should a clash occur, it could draw in other state and non-state actors in the region, rapidly devolving into a larger conflagration.

A third challenge is that developments in another theatres – for example, in Yemen, Syria or Iraq – could draw the U.S. and Iran in

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more deeply, exacerbating tensions between them. Take, for instance, a possible attack by Afghanistan's Taliban in Afghanistan or an Iraqi paramilitary group against a U.S. military or diplomatic facility, resulting in loss of life or substantial damage. In the current environment, the U.S. may assign blame to Iran and launch retaliatory attacks without first ascertaining whether Iran or other local actors bear primary responsibility.

Recommendations for the EU and its Member States

European action is essential for addressing the first of the three challenges laid out above, and important in tackling the other two. While France, Germany and the UK (the E3) have established INSTEX, the EU should encourage its consolidation and expansion to other European (and perhaps even non-European) states. The E3 should inject several billion euros worth of export credit into the mechanism to render it operational and allay concerns of European firms and banks, which remain fearful of U.S. penalties and would welcome backing from their governments. Seven other EU countries (Austria, Belgium, Finland, the Netherlands, Slovenia, Spain and Sweden) announced on 1 July their interest in joining INSTEX. Involving non-EU states such as China, which continue to import oil from Iran, or Russia, which is willing to be a conduit for exporting petrochemical derivatives from Iranian oil to Europe, could generate much needed funds for European exports to Iran. Europe should clearly state – and warn the Trump administration – that targeting INSTEX or its Iranian counterpart will entail consequences.

Separately, but in parallel to these efforts, the EU should deepen and expand technical and development cooperation with Iran across a range of fields, such as water, narcotics, refugees and private sector promotion. It should also consider expanding the E4-Iran dialogues on Yemen and Syria to other regional conflicts, such as Iraq and Afghanistan. At the same time,

it should seek discreet avenues for discussing other sensitive issues with Tehran, be it on Iran's missile program or human rights record. These channels can help maintain diplomatic contacts and help prevent dangerous escalations.

Success on this front could help not just stabilise the nuclear deal but build leverage and cooperation for non-nuclear discussions, including on de-escalating Iran's role in regional conflicts. While the U.S. continues to pursue a sanctions-driven strategy, the EU, particularly member states such as France, whose president has a direct channel to his U.S. counterpart, should strongly press for a freeze in the escalatory cycle between Tehran and Washington. From Washington's side, this would need to include, at a minimum, waivers to loosen the noose on Iran's oil exports; and from Tehran's, a return to full JCPOA compliance, releasing U.S. prisoners and agreeing to broader talks about the JCPOA's future and other areas of dispute.

Be it on the nuclear issue or less time-critical initiatives elsewhere, the EU should enhance its image in Iran, which, because of its inability to shield the Iranian economy from U.S. sanctions, has been damaged to such a degree that Iranians widely view it as “good cop” to the Trump administration's “bad cop” rather than an independent diplomatic partner. This requires the EU to hire a Persian-speaking spokesperson to communicate its goals to Tehran and the Iranian public. Balancing expressions of concern and criticism with constructive and mutually beneficial discourse, and striking a balance between public and more discreet methods of messaging, could prove the best approach to influencing Tehran's decision making in these dangerous times.

This commentary is part of our Watch List 2019 – Second Update.