The Iran Nuclear Deal at Six: Now or Never

Middle East Report N°230 | 17 January 2022
# Table of Contents

Executive Summary .......................................................................................................................... i

I. Introduction ................................................................................................................................ 1

II. Implementation Record: Honoured Mainly in the Breach .......................................................... 3

   A. Nuclear Commitments ........................................................................................................... 3

   B. Sanctions Relief Commitments .......................................................................................... 8

III. One Step Forward, Two Steps Back ....................................................................................... 15

   A. Dangerous Divides, Narrowing Gulfs ............................................................................... 15

   B. Waltzing in Vienna ............................................................................................................. 20

IV. Between Crisis and Compromise ............................................................................................. 31

   A. Plan B: No Good Options ................................................................................................. 31

   B. Plan A: To the Rescue ........................................................................................................ 35

      1. Guarantees .................................................................................................................... 36

      2. Scope of sanctions relief ............................................................................................. 38

      3. Nuclear measures ......................................................................................................... 39

      4. Sequencing .................................................................................................................... 39

      5. Complementary measures ........................................................................................... 40

V. Conclusion .................................................................................................................................. 41

APPENDICES

A. Map of Iran’s Nuclear Installations ......................................................................................... 43

B. Iran’s Enriched Uranium Stockpile ......................................................................................... 44

C. Iran’s Installed Advanced Centrifuges ................................................................................... 45

D. Timeline of Key Developments (2018-2021) ........................................................................ 46

E. About the International Crisis Group ...................................................................................... 47

F. Crisis Group Reports and Briefings on the Middle East and North Africa since 2019 ... 48

G. Crisis Group Board of Trustees .............................................................................................. 50
Principal Findings

What’s new? The U.S. and Iran have engaged in months of indirect negotiations aimed at restoring the 2015 nuclear deal. These talks have failed to deliver a framework for mutual compliance. Iran’s nuclear program continues to expand in size and sophistication while Trump-era U.S. sanctions remain substantially in place.

Why does it matter? Unless negotiations make substantive progress or Iran’s nuclear progress slows down, the existing deal’s point of no return may arrive soon. Deadlock in coming weeks may prompt a shift toward coercive diplomacy or even military action by the U.S. and its allies, and nuclear and regional escalation by Iran.

What should be done? The U.S. and Iran should seize a possibly last opportunity to salvage the deal. Differences on reversing Iran’s nuclear advances and U.S. sanctions relief need not be unsurmountable if Washington can ensure certain economic dividends for Tehran, and Tehran takes necessary steps to verifiably roll back its nuclear program.
Executive Summary

Seven years after Iran and world powers reached the Joint Comprehensive Plan of Action (JCPOA, the Iran nuclear deal) in Vienna, they are struggling to salvage what little remains of it. Both sides wonder whether they can achieve their goals. For Washington, the key question is whether it can secure the original deal’s non-proliferation benefits given dramatic Iranian nuclear expansion, especially over the past year. For Tehran, the issue is whether the U.S. can and will offer sanctions relief that affords sufficient, sustainable economic benefits, which has not yet occurred during the deal’s lifespan. Yet both agree, for now, on the need to proceed by diplomatic means for the simple reason that the alternatives would be far worse. Time is short, but it is not yet too late for the two sides and other JCPOA signatories to forge a renewed understanding based on mutual compliance. That will require the U.S. and Europe to offer credible proposals on how to translate the lifting of nuclear-related U.S. sanctions into real economic relief for Iran, and Iran to make a robust commitment to verifiable rollback of its nuclear program.

On taking office a year ago, the Biden administration inherited the dubious legacy of its predecessor’s policies. The Iranian nuclear program was growing in size and sophistication but subject to shrinking international oversight despite sweeping unilateral U.S. sanctions on Iran. President Joe Biden was also bequeathed frayed transatlantic relations, including on the Iran question, and elevated tensions in the Middle East. The new administration took some time for deliberations on how to forge a new U.S. approach before settling on what ought to have been clear all along: that rejoining the JCPOA would be the best way to restore its clear non-proliferation benefits and keep open the possibility of engaging Iran on other issues.

While Washington offered neither the mea culpa nor the policy reversals Tehran hoped for – and missed the opportunity to offer good-will gestures toward the Iranian people amid the COVID-19 pandemic – the first few months of talks were productive. Six rounds of negotiations between April and June yielded the broad contours of a satisfactory compromise around nuclear rollback, sanctions relief and sequencing before the administration of Iranian President Hassan Rouhani, invested in saving the deal as its central legacy, left office.

But the Iranian presidential election in June put the talks on hold for five months, and since their resumption in late November, more time has been spent relitigating earlier progress than bridging remaining gaps. For the new conservative-dominated government in Tehran, the JCPOA itself is an inheritance of questionable value. Believing that the Iranian economy has absorbed and survived the worst of not just U.S. sanctions but a global pandemic, the leadership downplays the financial dividends a revived deal would bring or dismisses them outright, banking on improving relations with neighbouring states and non-Western powers to offset the economic harm and blunt the diplomatic opprobrium still tougher sanctions would bring. Moreover, viewing the possibility of further nuclear advancements as a potent means of coercing greater concessions from the U.S., it finds brinksmanship appealing.

Yet these considerations appear based on shaky foundations: beneath positive growth figures is an economy badly in need of repair. Improvements in foreign ties –
not least with Gulf Arab states – could suffer in an increasingly adversarial environment with the West, while pushing the nuclear envelope too far is likely to strain relations with China and Russia. Above all, further approaching nuclear weapons latency – developing all the elements of a bomb short of producing one – or provoking the U.S. militarily, whether directly or indirectly, is unlikely to secure benefits from Washington or go unchallenged.

Among world powers, particularly the U.S. and European states, a decision point looms. Tehran’s growing stockpiles of uranium enriched to near-weapons grade and increasingly advanced centrifuges mean that the JCPOA is – at present rates – within weeks of reaching the point of no return. That would mean the U.S. would judge the original deal’s non-proliferation benefits to be no longer attainable and a renewed agreement therefore not worth pursuing. The ticking clock has sharpened Washington’s and its allies’ thinking on alternatives to the JCPOA – so-called Plan B options, ranging from an interim agreement to freeze Iran’s nuclear advancements in return for partial easing of sanctions to snapping back UN and European Union sanctions to covert or overt military interventions to set back Iran’s nuclear program. But each of these courses of action carries substantial downsides and unreliable returns. Absent rapid progress in the next few weeks, a return to the perilous sanctions versus centrifuges race of a decade ago seems to be in the offing.

Regional states are bracing themselves for what comes next. For Iran’s Gulf Arab neighbours, who were caught in the crossfire between Iran and the U.S. under the Trump administration and view U.S. commitments to their security with wariness, both a revived agreement and no-deal scenarios raise concerns. The Gulf states have begun engaging in dialogue with Tehran to hedge their bets against the reverberations of a new escalatory spiral. In Israel, by contrast, the leadership seems more worried about Iran’s financial enrichment through the JCPOA’s revival than the increased uranium enrichment that has already happened and would likely accelerate were the deal to collapse. Although some national security veterans increasingly acknowledge the JCPOA’s non-proliferation benefits, Israeli leaders deem it a poor trade-off to unshackle their archenemy’s finances, which could be used to bolster Iranian allies across the Levant, and to bring Tehran in from the diplomatic cold.

The past three years have shown the lose-lose dynamic that would result from a failed negotiation. The U.S. and its allies – as well as major powers like China and Russia that also have no interest in a nuclear-armed Iran – would face the unchecked expansion of Iran’s nuclear program. Iran would see a dramatic worsening of its economy. The region would see a renewed rise in tensions that could push it into a disastrous escalation.

Fortunately, avoiding such an outcome is possible. It would require the U.S. and Iran to come to terms with the reality that neither will get everything it wants, but with the understanding that each can get something approaching what it needs. Steps along the following lines would be required:

- The Biden administration should show greater flexibility on the extent of sanctions relief it is willing to offer, working with European parties to help ensure that Iran will reap economic dividends, and provide assurances that as long as it is in office and Tehran is complying with its obligations, Washington will not impede Iranian trade consistent with the agreement.
Both sides should agree on a sequence of steps on the sanctions relief and nuclear fronts that would help address both Iranian scepticism about whether it will receive effective economic relief and U.S. and European non-proliferation concerns. The U.S. should relax sanctions on Iranian oil exports and allow the repatriation of related revenue as well as Iran’s frozen assets abroad. Iran should in tandem begin freezing the most concerning elements of its nuclear activity, namely high-level uranium enrichment, installation of advanced centrifuges and production of uranium metal. It should also allow enhanced access to UN inspectors while verifying that U.S. sanctions relief is effective. Subsequent steps to roll back additional U.S. sanctions and Iranian nuclear advances that are inconsistent with the JCPOA should be designed in the same staggered manner to bring both sides back into full JCPOA compliance.

In addition to reversing its breaches of the nuclear deal since 2019, in a manner substantially and verifiably consistent with the JCPOA’s restrictions, which would involve substantial dismantling of its advanced centrifuges, Tehran should restore full cooperation with the International Atomic Energy Agency and clarify outstanding issues with regard to traces of nuclear material the agency found at four undeclared sites in Iran.

Both sides should engage on issues beyond the specific JCPOA framework in parallel with the Vienna talks, including mechanisms such as bilateral and regional dialogues aimed at de-escalating tensions between Iran and its Arab neighbours, as well as the fate of dual-national detainees held by Iran and facilitation of humanitarian trade to Iran.

What has brought the U.S., Iran and P4+1 (the UK, France, Russia, China and Germany) back to the table is a recognition that the JCPOA offers the best available framework to address a global strategic concern – and the only available framework for Iran to normalise its economic relations with the outside world. Appreciating the benefits of the deal’s revival, and the downsides that would come with its demise, should be enough for the original signatories to step back from the edge and prevent the JCPOA from unravelling.

Tehran/Washington/Brussels, 17 January 2022
The Iran Nuclear Deal at Six:
Now or Never

I. Introduction

On the sixth anniversary of its implementation, the 2015 Joint Comprehensive Plan of Action (JCPOA) exists as little more than a theoretical construct. The restrictions it placed on Iran’s nuclear program eroded after the 2018 U.S. withdrawal under the Trump administration and have all but collapsed in the face of that program’s substantial expansion, particularly over the past year. Iranian limits on international monitoring mean that even as proliferation-sensitive activities increase, so do gaps in what the world knows about them. Meanwhile, the Trump administration’s “maximum pressure” campaign, a blow that Tehran believes it has absorbed, largely negated the promise of sanctions relief. The deal’s demise has been repeatedly foretold, and unless negotiations for reviving it make significant inroads in short order, last rites may be simply a matter of time, with all the attendant risks.

President Joe Biden took office with the stated goal of rejoining the JCPOA. But the past year has underscored how Iran and the U.S. can disagree on a point of ostensible agreement. Predictably, each sees the other as responsible for the impasse. The Biden administration’s initial indecisiveness, which Tehran interpreted as lack of earnestness, contributed to Iran to dragging out the negotiations once they began while refusing to engage in direct talks with the U.S. Washington in turn views this approach as reflecting a lack of seriousness on Tehran’s part.

Eight rounds of talks – six under Iranian President Hassan Rouhani's administration, which negotiated the original deal, until June, and then two under the new conservative President Ebrahim Raisi – have delivered only halting progress. Among the P4+1 (the UK, France, Russia, China and Germany), perspectives are mixed: the Europeans increasingly view Iran as the party at fault, while Beijing and Moscow signal sympathy for Tehran’s position even as they urge it to engage constructively. Regional actors are taking measures to shield themselves whatever the outcome may be.

At this stage, there are far more questions than answers about the deliberations in Vienna, but three points seem clear enough. The first is that the JCPOA remains, for now and at least rhetorically, all sides’ frame of reference. The second is that from a technical perspective the likely point of no return is only weeks away, due to the pace of Iran’s nuclear advancements. The third is that Western planning for post-JCPOA contingencies is well under way, even as a revived deal remains all sides’ preferred way forward.

Crisis Group supported the negotiations that led to the nuclear deal and has closely tracked its implementation over the past six years.¹ This report reviews the

key developments of 2021, based on more than 50 interviews conducted virtually and in person with officials from the JCPOA’s remaining signatories, the U.S., the UN and governments in the Middle East throughout 2021.
II. Implementation Record: Honoured Mainly in the Breach

By the end of 2020, Iran’s nuclear program was primed for substantial expansion following the 2018 U.S. withdrawal from the JCPOA and a series of retaliatory, incremental Iranian breaches starting in 2019. During 2021, in particular, Iran made quantitative and qualitative leaps in nuclear capacity, while increasingly curbing monitoring and verification activities by the International Atomic Energy Agency (IAEA). In parallel, the Biden administration kept and even expanded the sanctions regime that the Trump administration had put in place.

A. Nuclear Commitments

In May 2019, a year after the U.S. withdrawal and after it became clear that the deal’s European signatories would be unable to economically compensate Iran for the effects of sanctions that the U.S. had unilaterally reimposed, Iran started violating its own nuclear commitments under the JCPOA. Describing these steps as “remedial” and “reversible”, Tehran contended that the JCPOA allowed for partial non-performance of its obligations to redress the U.S. withdrawal and thus the absence of promised sanctions relief.

The nuclear escalation continued in 2020 and accelerated in 2021. Two events catalysed this dramatic surge. First was the November 2020 killing, allegedly by Israel, of Mohsen Fakhrizadeh-Mahabadi, a top scientist who was widely considered the “father” of Iran’s nuclear program and was head of Iran’s Organisation of Defensive Innovation and Research. That led Iran’s conservative-dominated parliament the following week to adopt legislation that mandated an immediate expansion of Iran’s nuclear program. In early January 2021, Iran proceeded to raise its enrichment level of uranium to 20 per cent – where it had been prior to the signing of the JCPOA – at the bunkered Fordow facility.

The second accelerator came in reaction to an 11 April 2021 sabotage operation, which Iran also blamed on Israel and which caused an explosion in the power supply lines of the heavily protected underground Natanz fuel enrichment plant, destroying

---

2 Iran’s 2019 and 2020 breaches are described in Crisis Group Reports, *The Iran Nuclear Deal at Four: A Requiem?*, and *The Iran Nuclear Deal at Five: A Revival?*, both op. cit.


4 The bill mandated the initiation of 20 per cent uranium enrichment and annual accumulation of 120kg at that level; 500kg of monthly enriched uranium production; installation of additional IR-2 and IR-6 centrifuges; launch within five months of a uranium metal factory; preparation for reverting the Arak heavy-water reactor to its pre-JCPOA configuration; and suspending implementation of the Additional Protocol to the Comprehensive Safeguards Agreement under the Nuclear Non-Proliferation Treaty (NPT) should other JCPOA signatories provide no sanctions relief within two months of the law’s enactment. “The full text of Iranian parliament’s strategic action plan to lift sanctions revealed”, Iranian Labour News Agency, 1 December 2020.

5 GOV/INF/2021/2, IAEA, 4 January 2021. The JCPOA capped Iran’s uranium enrichment level at 3.67 per cent until 2031.
thousands of centrifuges. The immediate response was to announce an increase in enrichment rates at Natanz from 20 to 60 per cent, which is near weapons-grade, using advanced IR-4 and IR-6 centrifuges. The IAEA on 21 April indicated it had observed an increase in the number of IR-2m and IR-4 advanced centrifuges at the Natanz plant, and on 11 May it informed member states that environmental samples had revealed “an enrichment level of up to 63 per cent U-235”. Iran subsequently started feeding 20 per cent enriched uranium into IR-4 and IR-6 centrifuges at the above-ground Natanz pilot fuel enrichment plant, acquiring critical know-how for producing highly enriched uranium with advanced machines.

In the meantime, other elements of Iran’s nuclear program also advanced rapidly, with some of them generating irreversible knowledge gain. As of mid-November, Iran’s stockpile of enriched uranium comprised 559.6kg of uranium enriched up to 2 per cent, 1,622.3kg enriched up to 5 per cent, 113.8kg enriched up to 20 per cent and 17.7kg enriched to 60 per cent. Iran also breached the JCPOA’s limit on 5,060 IR-1 centrifuges (30 cascades) at Natanz by installing another IR-1 cascade and preparing to mount another five. By mid-November, it had 6,101 centrifuges enriching at the Natanz fuel enrichment plant, 526 at the Natanz pilot fuel enrichment plant and 1,044 at Fordow. Of these, 2,021 were advanced centrifuges. Iran also started manufacturing uranium metal in February 2021, which it could use to make both nuclear fuel rods and bombs, at a research laboratory in Isfahan, and in July started producing

---

7 John Gambrell, “Iran starts enriching uranium to 60%, its highest level ever”, Associated Press, 16 April 2021; “Iran to start uranium enrichment up to 60%: E3 statement”, UK Foreign, Commonwealth and Development Office, 14 April 2021. While 20 per cent enrichment takes nearly 90 per cent of the required effort to enrich to weapons-grade (around 90 per cent in uranium isotope U-235), 60 per cent enrichment constitutes 99 per cent of that work. Iran’s current production rate for 60 per cent enriched uranium is more than 40kg per year, which would yield the 25kg of 90 per cent material needed for one nuclear weapon. Natasha Turak, “Only countries making bombs’ are enriching uranium at Iran’s level, IAEA chief says”, CNBC, 26 May 2021.
8 Francois Murphy, “Iran adds machines at enrichment plant struck by blast – IAEA”, Reuters, 21 April 2021; and “Iran has enriched uranium to up to 63% purity, IAEA says”, Reuters, 11 May 2021.
10 Total amount of enriched uranium in all chemical forms stood at 2,489.7kg. The JCPOA had capped enriched uranium stockpiles at 202.8kg until 2031. Ibid.
11 Ibid. For a breakdown, see David Albright, Sarah Burkhard and Spencer Faragasso, “A Comprehensive Survey of Iran’s Advanced Centrifuges”, Institute for Science and International Security, 2 December 2021. A cascade usually comprises around 168 centrifuges arranged in parallel and connected to one another, but its structure can vary.
12 GOV/2021/51, op. cit. Iran has fifteen different types of advanced centrifuges. Per the JCPOA’s paragraph 63, Annex I, and Iran’s research and development plan, until mid-2023 Iran could conduct mechanical testing (without uranium) on up to two single centrifuges for each type of the IR-2m, IR-4, IR-5, IR-6, IR-7 and IR-8; test an IR-4 centrifuge cascade of up to ten centrifuge machines; and test roughly ten (and eventually up to 30) IR-6s and IR-8s. George Jahn, “Iran nuclear constraints to ease in about a decade, secret document reveals”, Associated Press, 18 July 2016.
metal from uranium enriched to 20 per cent, purportedly for fabricating fuel for the Tehran research reactor.\(^{13}\)

If the first two incidents led Iran to ratchet up its nuclear capabilities, a third one, in June 2021, prompted it to curtail the program’s transparency. Iran had already curbed the IAEA’s monitoring and verification authorities in February in response to the December 2020 legislation. It had halted its voluntary implementation of the Additional Protocol to its Comprehensive Safeguards Agreement, which allows enhanced access and snap inspections; of the Code 3.1 subsidiary arrangement, which requires notification of construction of any new nuclear facility when the decision is taken; and of other JCPOA-related transparency measures.\(^ {14}\) That month, IAEA Director General Rafael Grossi travelled to Tehran to negotiate arrangements that would forestall the most deleterious aspects of such limits on agency access, and on 21 February concluded a three-month “temporary technical understanding”, which would preserve the agency’s “continuity of knowledge” by keeping recordings of its cameras installed in facilities to which inspectors had lost access.\(^ {15}\) In May, the parties renewed the deal until 24 June.\(^ {16}\)

Then, on 23 June, Iran reported foiling yet another alleged Israeli sabotage operation, one carried out by a small drone against the centrifuge component manufacturing workshop at the TESA Karaj complex north west of Tehran.\(^ {17}\) It caused minor material damage, including to two of four IAEA cameras.\(^ {18}\) In the meantime, and as Iran went through its presidential transition, it was unclear whether the temporary understanding with the IAEA remained viable. Concerns grew when Iran resumed equipment production at TESA in August, given the risk that Iran could divert some of the advanced centrifuges it was making to a clandestine facility in the absence of IAEA monitoring.\(^ {19}\)

\(^ {13}\) GOV/INF/2021/39, IAEA, 16 August 2021. The E3 maintained that there was “no credible civilian need” for such technology, which the JCPOA bans until 2031, while the U.S. called it an “unfortunate step backward”. See “Iran’s Production of Uranium Metal in Violation of the JCPOA: E3 Statement”, UK Foreign, Commonwealth and Development Office, 12 February 2021; and “Iran uranium metal decision is ‘unfortunate step backwards’ – U.S.”, Reuters, 6 July 2021.

\(^ {14}\) “Gharibabadi outlines measures that Iran will halt”, Mehr News, 17 February 2021.

\(^ {15}\) “Joint Statement by the Vice-President of the Islamic Republic of Iran and Head of the AEOI and the Director General of the IAEA”, IAEA, 21 February 2021. Iran would allow the IAEA access to the footage only after the JCPOA is restored. In subsequent remarks, Grossi explained that the arrangement “allows us to continue to monitor and to register all the key activities that are taking place… We will know exactly what happened, exactly how many components were fabricated, exactly how much material was processed or treated or enriched and so on”. Quoted in Francois Murphy, “IAEA chief Grossi describes black box-type deal reached with Iran”, Reuters, 23 February 2021.

\(^ {16}\) GOV/INF/2021/31, IAEA, 24 May 2021.


\(^ {18}\) GOV/2021/39, IAEA, 7 September 2021. One camera was destroyed, and the other was severely damaged. Missing from the remnants of the destroyed camera was its memory card, leading Grossi to assert: “I am hopeful that they are going to come up with an answer because it’s very strange that it disappears”. Quoted in Francois Murphy, “IAEA chief has doubts that Iran surveillance camera’s footage vanished”, Reuters, 17 December 2021.

\(^ {19}\) A senior IAEA official expressed alarm that Iran might have produced, and the agency might have missed, more than 100 advanced centrifuges in this period. Crisis Group interview, Vienna, December
Then, in September, Iran and the IAEA agreed to allow inspectors to service all the cameras and replace their memory cards. But Iran refused to allow the agency to reinstall the cameras at the facility, complaining that the IAEA had not condemned the alleged sabotage of its nuclear facilities, which Tehran refers to as “nuclear terrorism”, and saying the perpetrators may have taken advantage of the agency’s cameras in the attack on the TESA complex. Tensions between Iran and the IAEA grew even more acute after Iranian security guards allegedly harassed UN inspectors visiting the Natanz facility.

The UN’s nuclear watchdog persisted. Using characterisations like “flying in heavy clouds” and “blurred image”, the IAEA’s chief emphasised in November that the agency had to have eyes at TESA “in order to maintain continuity of knowledge and ... to be in a position to resume the necessary verification and monitoring activities in Iran in relation to the JCPOA”. For its part, the U.S., which had been putting pressure on Iran to grant the agency access, threatened to call for an extraordinary IAEA Board of Governors meeting in December to issue a resolution censuring Tehran. Finally, on 15 December, Iran and the IAEA came to an agreement on reinstalling the cameras at TESA after Iranian technicians examined the equipment in UN inspectors’ presence.

20 “Joint Statement”, IAEA, 12 September 2021. Russia played a key role in convincing Iran to accept a visit by the IAEA’s Grossi. Crisis Group interviews, IAEA and Russian officials, Vienna, 9-10 December 2021.
21 “Don’t expect installation of IAEA cameras damaged by Israel without costs”, Tehran Times, 27 September 2021. The IAEA categorically rejects the notion that its cameras played a role in helping any third party launch an attack. GOV/2021/51, op. cit. A senior IAEA official said: “If Iran wants us to condemn acts of sabotage, they need to immediately let us inspect these facilities after the incidents”. Crisis Group interview, Vienna, December 2021. Iran contended that the cameras at the TESA workshop were not included in the servicing referred to in the Joint Statement. It also said its arrangement with the agency was based on good faith, not a “legal obligation”, and “cannot and should not be considered by the Agency as one of its entitlements”. INFCIRC/964, IAEA, 1 November 2021. According to the IAEA’s director general, however, “the agreement reached ... did not in any way exclude certain locations and equipment ... Iran has unilaterally interpreted the terms of the Joint Statement to exclude [TESA], ex post facto”. Once in September and twice in October, the UN inspectors sought access to the site, but Iran refused. GOV/2021/51, op. cit.
22 A senior IAEA inspector explained that the incidents occurred when, as a result of repeated covert operations against them, the Atomic Energy Organisation of Iran transferred the duty of guarding the sites from its trained personnel to the Islamic Revolutionary Guard Corps, which is unfamiliar with the protocols. “That problem is now resolved”, he said. Crisis Group interview, Vienna, December 2021. See also Laurence Norman, “Iranian guards physically harassed female U.N. nuclear inspectors, diplomats say”, The Wall Street Journal, 14 September 2021; and GOV/2021/51, op. cit.
24 Francois Murphy, “U.S. to Iran: Grant inspectors access to workshop or face action at IAEA”, Reuters, 27 September 2021; and “U.S. threatens escalation with Iran at IAEA next month”, Reuters, 25 November 2021.
25 “IAEA and Iran Reach Agreement on Replacing Surveillance Cameras at Karaj Facility”, IAEA, 15 December 2021. Tehran wanted the IAEA to drop part of its investigation into outstanding safe
But Iran continued to stonewall the IAEA’s safeguards investigation into possible undeclared nuclear material and nuclear-related activities at four sites. Its concern seems to be that by shedding light on these outstanding questions, it would validate the information’s primary source, namely its own archival material, which Israeli intelligence operatives removed from a facility and smuggled out of Iran in 2018 and shared with the IAEA. “It would be a never-ending loop, when every few months they’d harass us demanding a new investigation”, said Iran’s former ambassador to the IAEA. As such, Tehran says it wants the agency to close the enquiries forever, turning this demand into a precondition for returning to JCPOA compliance. Yet given its nuclear accountancy mandate, the IAEA, which is not satisfied with Iran’s clarifications, can neither shut its eyes to the presence of uranium particles at undeclared sites nor ignore suspicious evidence. As a senior IAEA official put it:

The IAEA never closes anything. It draws conclusions based on the information it has up to that date. If new and credible information becomes available, we have to look into it regardless of sourcing.

On these grounds, the IAEA’s Board of Governors issued a resolution in June 2020 to compel Iran to cooperate. The E3 (France, Germany and the UK) and the U.S. also considered issuing a censure resolution against Iran – in June, September, November.
ber and December 2021 – but deferred the move for fear of derailing the JCPOA talks.32

On top of the worrying picture of heightened capabilities, reduced transparency and outstanding safeguards-related questions is the fact that elements of Iran’s nuclear research are now completely outside the IAEA’s purview. These include matters relating to uranium ore concentrate (or yellowcake) and heavy water.33 Work on the construction of the heavy-water reactor in Arak based on its original design, per the parliament’s 2020 legislation, has not commenced.34 While the redesigned heavy-water reactor is nowhere near ready, Iran has started producing enriched uranium fuel for the Arak reactor – in breach of its JCPOA obligations.35

Civil nuclear cooperation projects with Iran, encouraged in the JCPOA’s Annex III, are still under way in areas such as nuclear safety, though at a diminished pace.36 A procurement channel, set up under the JCPOA and overseen by the UN Security Council, has also slowed down. The UN secretary-general reported receiving (and approving) only a single proposal on the transfer of dual-use technology to Iran in 2021.37

B. Sanctions Relief Commitments

After leaving the JCPOA in May 2018, the Trump administration instituted over 1,500 sanctions designations against Iran as part of its “maximum pressure” campaign, either by restoring designations lifted under the JCPOA or introducing new ones against both nuclear and non-nuclear targets.38 While the Biden administration is negotiating over the scope of relief it might offer as part of a revived nuclear deal, it has also kept the sanctions it inherited in place. In some cases, it expanded these penalties in 2021, placing emphasis on increased enforcement as JCPOA talks proceeded at a glacial pace toward the end of the year.

With key Iranian economic sectors already blacklisted, the U.S. added to its sanctions against particular individuals and companies. These were mostly unrelated

32 Crisis Group interviews, E3 diplomats, Washington, April-December 2021. Raisi warned in September that any action by the IAEA board would have adverse implications for the JCPOA talks. “Raisi warns IAEA over ‘unconstructive’ report”, Kayhan, 8 September 2021.
33 GOV/2021/51, op. cit. The JCPOA allowed access to all parts of the fuel cycle in Iran, including milling and mining, and capped the heavy-water stockpile at 130 metric tonnes.
34 Iranian scientists apparently prefer the more efficient (and more proliferation-resistant, given the lower amount of plutonium it would produce) redesign – a joint China-UK-Iran project. Crisis Group interviews, EU officials, Brussels, December 2021.
35 “Iran to cold test redesigned Arak nuclear reactor: AEOI spox”, Mehr News, 19 March 2021; and GOV/2021/51, op. cit.
36 Through allocation of €28.5 million from 2016 to date, the European Commission has supported the nuclear safety centre in Tehran and implementation of stress tests at the Bushehr nuclear power plant. The European Union (EU) has also organised conferences and visits to European nuclear facilities for Iranian scientists. Crisis Group interview, senior EU official, Vienna, December 2021. See also “Statement on Behalf of Euratom Delivered by Massimo Garribba at the IAEA’s General Conference”, IAEA, September 2021; and “Iran restarts Bushehr nuclear power plant after overhaul”, Reuters, 3 July 2021.
37 S/2021/582 and S/2021/995, UN Security Council, 21 June and 8 December 2021. There have been 53 applications in total since JCPOA implementation, the majority of which were approved.
38 Tweet by Mike Pompeo, @SecPompeo, U.S. Secretary of State, 10:00am, 12 January 2021.
to the JCPOA and Iran’s nuclear activities. On 9 March, the Biden administration unveiled its first Iran-specific sanctions, designating two men identified as Islamic Revolutionary Guard Corps (IRGC) interrogators, who allegedly committed human rights abuses during Iran’s 2019-2020 protests. In December, it sanctioned a further thirteen persons and entities on human rights grounds. For its part, the European Union (EU) sanctioned eight individuals in April, including the IRGC commander and paramilitary Basij force head, and three Iranian prisons for allegedly helping suppress demonstrations in November 2019. The U.S. also issued sanctions targeting what it described as IRGC Qods Force networks raising revenue for the Guards’ drone program and Middle East activities. In September, the U.S. Treasury Department sanctioned four Iranians indicted for plotting to kidnap a U.S. citizen, and in November designated six more persons and one company for alleged involvement in cyber-activity meant to disrupt the 2020 U.S. presidential election.

Beyond the State and Treasury Departments, other parts of the U.S. government acted against Iran-linked targets. In June, the Justice Department seized nearly three dozen websites linked to Iran’s previously sanctioned radio and television union, while the Commerce Department blacklisted eight entities for Iran-related export violations in July and, in December, targeted companies in four countries “for diverting or attempting to divert U.S. items to Iran’s military programs”.

---

39 “Designation of Iranian Officials Due to Involvement in Gross Violations of Human Rights”, U.S. State Department, 9 March 2021.
41 “Iran: Council concludes annual review of the EU’s Iran human rights sanctions regime”, Council of the EU, 12 April 2021. Iran’s foreign ministry replied that it would “suspend comprehensive talks with [the] EU including human rights talks and all cooperation resulting from these talks, especially in the areas of terrorism, drugs and refugees”. “Iran to suspend comprehensive talks with EU: FM spox”, Mehr News, 13 April 2021.
There were also several instances of Washington revisiting existing sanctions designations. In June, the U.S. delisted five individuals and entities linked to the Iranian petrochemical trade, citing "a verified change in behaviour or status", and in July and October, following legal challenges, removed sanctions against several individuals and companies designated in 2020 for links to Iran’s ballistic missile program. The Biden administration continued Trump-era sanctions waivers for Iraqi energy imports from Iran, which run through the end of March 2022.

The reimposition and expansion of U.S. sanctions erased the JCPOA’s anticipated financial benefits for Iran and contributed to a sharp deterioration in the Iranian economy. But since the initial shock, and despite continued impediments to its trade and banking relations, Tehran believes it has absorbed the worst effects. In 2021, Iran’s economy continued the modest growth that began the previous year, buoyed by increased non-oil trade and an uptick in crude oil sales to China. Positive growth, however, belies concerns about the budget deficit, inflation, currency volatility and unemployment.

According to World Bank estimates, Iran’s economy rebounded in 2020 from two years of economic contraction. It is on track for a second year of GDP growth at around 3 per cent, with strong performance in the oil and manufacturing sectors and a resumption of trade that had been hampered by the COVID-19 pandemic. Tehran does not provide official figures on its oil exports, but industry sources appear in general agreement that sales, particularly to China, have been going up since late 2020, though they are still well below pre-2018 levels. In Tehran, the increased exports bolster a be-

---

45 The U.S. State Department asserted that the June action was “a practice consistent with good sanctions hygiene and administrative process” and came after a delisting petition by sanctioned entities, while the Treasury Department underscored that the July and October decisions were “unrelated to nuclear negotiations”. U.S. State Department spokesman, quoted in “Department Press Briefing”, U.S. State Department, 10 June 2021; Daphne Psaledakis and Arshad Mohammed, “U.S. drops sanctions on three Iranians, says move unrelated to nuclear talks”, Reuters, 2 July 2021; and Laura Kelly, “Biden lifts sanctions on two Iranian missile producers”, The Hill, 8 October 2021.

46 These waivers, issued for periods ranging from 30 to 120 days, were last approved by the Trump administration in January 2021 and then renewed three times by the Biden administration. “U.S. grants 120-day waiver for Iraq to pay for electricity from Iran”, Reuters, 31 March 2021; “U.S. gives Iraq another 120-day waiver to import Iranian power supplies”, S&P Global Platts, 5 August 2021; and Adam Kredo, “Biden admin waives sanctions on Iran as nuclear talks restart”, Washington Free Beacon, 3 December 2021. In December, Iraq’s central bank governor estimated Baghdad’s arrears for Iranian electricity purchases at $5 billion, indicating that the Iraqi government had earmarked around $250 million for Iranian purchases of COVID-19 vaccines and an unspecified sum for wheat imports (since U.S. sanctions preclude repayment in money). John Davison and Ahmed Rasheed, “Iraq foreign reserves rise on currency devaluation, oil prices – bank governor”, Reuters, 14 December 2021.


48 The U.S. Energy Information Administration estimated Iran’s 2020 exports of crude oil and condensate at 400,000 barrels per day, rising to 700,000 by the end of the year, compared to 2.5 million barrels per day before U.S. sanctions came into effect in 2018. “Country Analysis”, U.S. Energy Information Administration, 16 July 2021. See also Benoit Faucon, “Iranian oil exports rise as Tehran circumvents sanctions, finds new buyers”, The Wall Street Journal, 15 December 2020. The estimates for 2021 put the figure in the region of 1 million barrels per day, though there are considerable
lief that Iran’s trade has survived the sanctions gauntlet. A senior Iranian official maintained:

There are people in our system who say we are currently selling our oil and there are also ways of getting access to cash, so if the U.S. is not willing to offer meaningful sanctions relief, we should not agree to a lopsided arrangement.49

In response, the Biden administration has reportedly discussed steps to more strictly enforce, and potentially expand, the scope of its sanctions against key Iranian trade partners such as China and the United Arab Emirates (UAE) if JCPOA negotiations falter.50

Yet the economic picture for Iran is hardly rosy. Even improved sales are well below government targets: the 2020-2021 budget anticipated that oil would provide 10 per cent of its revenue; in reality, it delivered less than 30 per cent of that projection, and the budget as a whole fell short of expectations by 22 per cent.51 For the current fiscal year (March 2021-March 2022), the Rouhani administration bet big on oil sales, increasing their anticipated contribution to nearly a quarter of the entire budget.52

But with sanctions still in place, the gamble has proven a poor one: the fulfilment rate on oil revenue is running at just 15 per cent of its projected input, and while other revenue streams such as taxes are closer to expectation, the deficit remains substantial.53

Iran’s overall non-oil commerce improved significantly, with customs officials estimating a 40 per cent year-on-year increase; $33 billion of the $63.1 billion in trade recorded between March and November 2021 was with neighbouring countries, while variations among industry watchers. See, for example, Fotios Katsoulas, “OPEC+ August crude exports hit a seven-month low”, IHS Markit, 2 September 2021; and “China ramps up Iran oil purchases after getting new quotas”, Bloomberg, 16 December 2021.

49 Crisis Group telephone interview, 2 June 2021.
50 Benoit Faucon and Ian Talley, “U.S. weighs new sanctions on Iran’s oil sales to China if nuclear talks fail”, The Wall Street Journal, 19 July 2021; and Laurence Norman, “U.S. moves to tighten Iran sanctions enforcement as nuclear talks stall”, The Wall Street Journal, 9 December 2021. A senior U.S. official remarked: “We’re prepared to enforce sanctions further. … If you’re evading sanctions, the U.S. will have its eye very much on you. There will be consequences”. Quoted in “Background Press Call on Broad Middle East Regional Year-end Discussion”, White House, 17 December 2021. A senior Gulf Arab government official cautioned, however: “We are not in support of more sanctions. After all, we want Iran to return to the table, and with sanctions it won’t”. Crisis Group interview, Abu Dhabi, 24 November 2021. The UAE is a key hub for Iran-related trade and, along with Malaysia, has a major role in facilitating oil exports to China. Esfandyar Batmanghelidj, “UAE earns big as Iran sells oil to China”, Bourse & Bazaar, 27 October 2021.
52 “Reducing Budgetary Dependence on Oil is Not Consistent with Parliament’s Actions”, Government of Iran, 6 February 2021 (Persian).
53 The parliament’s research centre estimate covers the first four months of the fiscal year. “Review of the 1400 Budget’s Performance in First Four and a Half Months (Previous Administration) and Forecasting Unsecured Budget Deficit by the End of the Year”, Iranian Parliament’s Research Centre, 12 October 2021 (Persian); and “Iran govt budget deficit to exceed $10b”, Eghtesad Online, 20 October 2021. The draft 2022-2023 budget anticipates exports of 1.2 million barrels per day at a projected price of $60 per barrel. “Iran’s draft budget projects 1.2 million bpd in oil exports – IRNA”, Reuters, 12 December 2021.
China was the biggest importer of Iranian goods and second (to the UAE) in exports. But U.S. sanctions continued to cast a dark shadow over trade between Europe and Iran, which has dropped by nearly three quarters since 2018. Neither the Instrument in Support of Trade Exchanges (INSTEX), a special purpose vehicle established in 2019, nor the Swiss Humanitarian Trade Arrangement set up the following year has made significant inroads, in large part due to lack of cash being injected from the Iranian side.

Iran was affected early and badly by the COVID-19 pandemic in 2020, and has registered, by official figures, more than 6.2 million cases and 132,000 fatalities since February of that year. On taking office in the midst of a fifth wave of infections, President Raisi described the pandemic as his government’s “first priority”. Since then, case numbers have dropped and vaccine rollout has picked up significantly, although the correlation between increased vaccine availability and the change in government has prompted speculation among those working on the pandemic response about whether political considerations delayed an earlier mobilisation of foreign supplies. Still, the impact has been notable: as of mid-January 2022, nearly 52 million of Iran’s 84 million people had been fully vaccinated; reported cases and deaths have dropped substantially.

---

54 “Non-oil trade with neighbors stands at $33b in 8 months”, Tehran Times, 18 December 2021. See also “The secret of the 1400 export leap”, Donya-e-Eqtesad, 6 December 2021 (Persian).


56 In January 2021, Iran’s central bank declared: “Iran will not shift its resources to INSTEX just to keep it and import the same goods that are already being supplied from other channels”. Tweet by Central Bank of Iran, @PRCBI, 4:14pm, 17 January 2021. European officials assert that the Iranians were “dragging their feet and uninterested in using the mechanism”. Crisis Group interviews, Washington, November 2021. In June, Switzerland’s foreign minister acknowledged that the Swiss Humanitarian Trade Arrangement “hasn’t been used enough. … There are transfers of funds that will require approval, and I think on this the U.S. is willing to accelerate their decisions so that this channel can be used to its full effect”. Ignazio Cassis, quoted in “Swiss hail constructive U.S. approach to Iran after Biden talks”, Reuters, 15 June 2021. A Swiss official indicated that while Iran’s central bank has foreign exchange reserves that could be used for humanitarian purchases through the Swiss Humanitarian Trade Arrangement, they are not being used for that purpose out of fear that Iran might be unable to replenish the funds. Crisis Group interview, Washington, December 2021.


58 Quoted in “Ayatollah Raisi in the second part of the speech at the parliament”, press release, President’s Office, 21 August 2021.


60 By late December, weekly cases were down 94 per cent from the August 2021 peak of more than 250,000 per week, falling to fewer than 15,000, while deaths dropped from around 4,500 to fewer than 300. “Health emergency dashboard”, World Health Organization.
The Raisi administration’s first draft budget, submitted to parliament in mid-December, reflects its emphasis on steering Iran’s economy without the need for, or expectation of, sanctions relief; indeed, the president charged his predecessor with having mistakenly relied too much on “the will of outsiders”.61 But it remains deeply uncertain if domestic capacities, and increased engagement with non-Western economies, notably underscored by the September 2021 admittance of Iran to full membership in the Shanghai Cooperation Organisation, can boost the economy.62 The target of 8 per cent GDP growth exceeds the World Bank’s 3.1 per cent estimate by a considerable margin, while the goal of single-digit inflation seems distant when present rates are quadruple that.63 Unemployment is, according to official data, at nearly 10 per cent, rising to 25.7 per cent among youth.64

There are frequent reminders, moreover, of deep structural challenges compounded by mismanagement: chronic water and electricity shortages have resulted in recurrent protests, while workers in the oil and education sectors have gone on strike; the government’s response has oscillated between acknowledging the source of the grievances and cracking down violently against their expression.65 As a Tehran-based Western diplomat put it:

On the surface, there’s construction, a booming service economy ... but there’s also frustration and a sense that this isn’t sustainable. Cost of living is up, purchasing power is down, the rich are getting richer and the poor are getting poorer. The government feels confident in neutralising sanctions, and while the population wants sanctions lifted, in the short term this still might not deliver much.66

---

61 Quoted in “President while presenting the 1401 budget bill to the parliament”, press release, President’s Office, 12 December 2021.
62 “Iran joins SCO”, Financial Tribune, 17 September 2021. It will take two years for Iran to complete the Shanghai Cooperation Organisation’s membership process. On the administration’s key economic priorities, see Bijan Khajehpour, “How feasible is Raisi’s economic roadmap”, Al-Monitor, 4 December 2021. A Gallup survey conducted in late August found that 59 per cent of Iranian respondents were pessimistic about the country’s economy. RJ Reinhart, “Iran’s troubled economy wears on Iranians”, Gallup, 12 November 2021.
The rial, which hit historical lows in October 2020, experienced several months of recovery before a steady decline in the second half of 2021.67 The stock market has also been on a losing streak, erasing mid-2021 gains and ending the year almost exactly where it started.68

Iran remains a high-risk jurisdiction according to the Financial Action Task Force (FATF), a distinction it shares only with North Korea. Although the Rouhani administration supported legislation on joining the Palermo Convention and Terrorist Financing Convention as a means of avoiding censure by the intergovernmental watchdog, bills to that end have languished in oversight bodies.69 It is a debate reflective of the dynamics around Iran’s economy writ large, with conservatives feeling self-assured about the government’s ability to muddle through without conceding to externally imposed demands despite the malaise growing among the population.

67 Between the October 2020 nadir and May 2021, the currency’s value rose from 322,000 rials to the dollar to as high as 209,000 before several months of steady decline. As of early January 2022, its value is around 280,000 rials to the dollar.

68 Between late May and August 2021, the Tehran stock exchange’s main index, TEDPIX, climbed from 1.1 million to nearly 1.6 million points, but it has since dropped to around 1.3 million points. “Stocks plunge to 5-month lows”, Eghtesad Online, 14 December 2021.

69 “High-risk jurisdictions subject to a call for action – October 2021”, Financial Action Task Force, 21 October 2021; and “Expediency Council seeks gov’t clarity on FATF requirements”, Eghtesad Online, 5 March 2021. While there is significant opposition to the bills among Iranian conservatives, continued FATF blacklisting is likely to impede banking relations even in the event that the U.S. lifts sanctions. A European official remarked: “The Financial Action Task Force blacklisting remains a big problem, and a major element that will inhibit European businesses in returning to Iran”. Crisis Group interview, Brussels, 7 December 2021. Another posited that should the U.S. lift sanctions, the FATF designation would slow down the process of reconnecting Iranian banks to SWIFT, the global messaging service for financial transactions. Crisis Group interview, Brussels, 6 October 2021.
III. One Step Forward, Two Steps Back

The January 2021 U.S. presidential transition – from the Trump to the Biden administration – raised prospects that Washington and Tehran might be able to revive the JCPOA. The rationale was straightforward: reinstating limits on Iran’s nuclear program would address a strategic concern shared by world powers, while the prospect of sanctions relief would help the Iranian economy recover from the combined effects of sanctions, mismanagement and the pandemic. In practice, however, trying to restore the JCPOA has been arduous, an ordeal made all the more challenging when hardliners consolidated control over Iran’s centres of power in its June 2021 election. Yet the task remains critical against the backdrop of a Middle East still rife with dangers even as bilateral dialogue between Tehran and some of its rivals has gained momentum.

A. Dangerous Divides, Narrowing Gulfs

Over the course of the past year, U.S.-Iran tensions manifested at several regional flashpoints even as Washington and Tehran were indirectly engaging over the nuclear file. Iran’s rivalry with Israel also remains a potent source of friction on several fronts. At the same time, nascent efforts at de-escalation between Iran and Saudi Arabia underscore a shift among Gulf Arab states toward ring-fencing themselves from possible escalation should JCPOA negotiations collapse, but also dangling normalised diplomatic ties and enhanced trade as a positive inducement to Iran should the talks succeed.

Incidents throughout 2021 underscored the centrality of Iraq and Syria as flashpoints in the U.S.-Iran standoff. On 15 February, a rocket hitting Erbil airbase in northern Iraq killed a civilian working for the U.S.-led counter-Islamic State (ISIS) coalition and injured nine, including five U.S. citizens.70 Another salvo struck an Iraqi base hosting U.S. contractors five days later, followed by two Katyusha rocket-launchers fired into Baghdad’s Green Zone.71 Citing the spate of attacks, the U.S. on 25 February launched airstrikes in eastern Syria upon what it described as bases for “Iranian-backed militants”.72 The rocket and drone attacks continued afterward.73 On 27 June,
the U.S. conducted more airstrikes, this time targeting sites in Syria and Iraq that it said “Iran-backed militias” were using to mount drone attacks on Iraq-based U.S. personnel and facilities. A U.S. official said the latter months of 2021 were “the longest period of calm we’ve had in Iraq ... in three years”. But an uptick in incidents coinciding with the second anniversary of IRGC Qods Force commander Qassem Soleimani’s death in a January 2020 U.S. drone strike showed that the lull was tenuous.

While the Iraqi theatre got a modest reprieve in the second part of 2021, Syria experienced several moments of acute tension between Iran and the U.S. One was a 20 October attack, attributed to Iran-backed militias, on the garrison at al-Tanf, located at the convergence point of the Syrian, Iraqi and Jordanian borders, which consists of around 200 U.S. troops. That incident, which followed a series of Israeli

---

74 "Statement by the Department of Defense", U.S. Defense Department, 27 June 2021. In a letter to the UN Security Council, the U.S. noted six rocket and four drone attacks between April and June, in addition to an unspecified number of attempted drone attacks. S/2021/614, UN, 30 June 2021. Iran’s UN ambassador responded with a letter asserting that “Iran has not been involved, directly or indirectly, in any armed attack by any entity or individual against U.S. personnel or facilities in Iraq”. S/2021/623, UN, 6 July 2021.

75 Quoted in “Background Press Call on Broad Middle East Regional Year-end Discussion”, op. cit. Senior military commanders, however, warned of the potential for increased turbulence given the continued presence of U.S. forces in Iraq despite the formal end of their combat role. Lolita Baldor and Robert Burns, “General says U.S. troops to remain in Iraq”, Associated Press, 10 December 2021. See also John Davison, Ahmed Rasheed and Bozorgmehr Sharafedin, “Iran seeks to cool tensions in Iraq”, Reuters, 22 December 2021. In the immediate aftermath of the 27 June airstrikes, the U.S.-led coalition and Iraqi security forces reported a string of incidents involving rocket fire or drone activity in Baghdad, the Ain al-Assad base and Erbil airbase, but the pace of reported attacks has tapered off since then. See tweet by OIR spokesperson, @OIRSpox, 4:29pm, 28 June 2021; tweet by OIR spokesperson, @OIRSpox, 8:35am, 5 July 2021; Chad Garland, “Counter-rocket battery downs drone over U.S. Embassy in Baghdad”, Stars and Stripes, 6 July 2021; tweet by OIR spokesperson, @OIRSpox, 5:42pm, 6 July 2021; tweet by OIR spokesperson, @OIRSpox, 6:29am, 7 July 2021; and “Rockets land in Baghdad’s Green Zone, near U.S. embassy”, Associated Press, 8 July 2021.

76 The U.S.-led counter-ISIS coalition downed a pair of armed drones bound for Baghdad airport on 3 January 2022. The following day, two drones were intercepted en route to the Ain al-Assad base, followed by a rocket attack, again targeting Baghdad airport, on 5 January. “Two armed drones shot down at Baghdad airport”, AFP, 3 January 2022; “SMC: Two drones targeting Ain al-Assad shot down”, Iraqi News Agency, 4 January 2022; and “Bases housing U.S. troops in Iraq, Syria come under attack”, Associated Press, 5 January 2022. On 8 January, Iran’s foreign ministry sanctioned 51 U.S. nationals, including serving military commanders and members of the Trump administration, citing their involvement in Soleimani’s killing. The White House responded by warning of “severe consequences” should those or other U.S. citizens be attacked. “More U.S. officials, commanders blacklisted by Iran for involvement in Gen. Soleimani assassination”, Tasnim, 9 January 2022; and “Statement by national security advisor Jake Sullivan on Iranian threats and provocations against American citizens”, White House, 9 January 2022.

77 U.S. forces reported a rocket attack on the Green Village oil field in Deir al-Zor province in eastern Syria, which they countered with artillery fire. Barbara Starr and Nicole Gaouette, “U.S. forces in
strikes on Iran-linked targets in Syria, involved five armed drones, two of which exploded, causing material damage but no casualties; the other three were duds.78 Two drones again approached the garrison on 14 December; a British fighter jet shot down one and the second withdrew.79 Violent exchanges between Iran-backed and U.S.-led forces continued in early January, with counter-ISIS coalition troops based in northeastern Syria responding with artillery fire to attacks from what the U.S. military said were “Iran-supported malign actors.”80

The maritime theatre was also active, with several close calls between U.S. and Iranian forces in the Gulf, as well as entanglements involving commercial shipping. The U.S. disclosed at least five incidents involving Iranian military vessels that it characterised as unsafe or unprofessional, two of which resulted in the firing of warning shots, and the largest of which involved more than a dozen IRGC speedboats approaching a group of seven U.S. vessels transiting the Strait of Hormuz.81 In May and December, the U.S. Navy interdicted arms caches it claimed had originated in Iran and were bound for Yemen’s Huthi rebels.82 Off the Omani coast on 29-30 July,
the MT Mercer Street, a Liberian-flagged, Japanese-owned tanker managed by an Israeli-owned company came under attack three times by armed drones that killed two crew members, one a British citizen and the other Romanian. The U.S., EU and G7 all assessed that Iran was behind the attack.

Iran-linked incidents involving commercial shipping have become a pattern since 2019. But two aspects of the Mercer Street attack were particularly notable: the loss of life and the ship’s Israeli connection. It was one of a string of attacks on Israeli-owned or associated vessels in recent years, demonstrating again how Iran-Israel tensions have spilled outside the nuclear realm. In Syria, for instance, Israel has carried out frequent operations against Iran-linked targets. The Wall Street Journal in March reported that Israel had “targeted at least a dozen vessels” carrying Iranian cargoes, particularly Syria-bound oil shipments, since 2019; Iranian media in August put the figure at fourteen. Meanwhile, cyberattacks have widened in scope, with several major exchanges harming civilians on both sides.

By contrast, relations between Iran and Gulf Arab countries began to improve. Already in 2019, the UAE had begun quietly reaching out to Tehran, with bilateral discussions on maritime security as well as humanitarian support while Iran struggled with the COVID-19 pandemic. Contacts have continued under the Raisi admin-

[84] “Attack on Mercer Street Vessel”, U.S. State Department, 1 August 2021; S/2021/701, UN, 3 August 2021; “G7 Foreign Ministers’ Statement on the MV Mercer Street Attack”, U.S. State Department, 8 August 2021; and “Mercer Street Attack: Declaration by the High Representative on Behalf of the European Union on the Attack of 29 July on a Merchant Vessel off the Coast of Oman”, Council of the EU, 8 August 2021. Iran dismissed the accusations as “factually wrong and politically and ethically irresponsible”. “Iran writes letter to UNSC chief to call for ending artificial maritime incidents in Persian Gulf”, Fars News, 5 August 2021.
[85] For a rundown of major maritime incidents in the Gulf, see “How shipping became the epicentre of the Saudi-Iran proxy war”, Lloyd’s List, 3 August 2021.
[86] Zodiac Maritime, which managed Mercer Street, is a UK-based company owned by an Israeli businessman; it was also the past owner of another vessel, CSAV Tyndall, which was attacked while sailing from Saudi Arabia to the UAE less than a month earlier. Ronen Bergman and Adam Rasgon, “Cargo ship, recently Israeli-led, is struck in high seas encounter”, The New York Times, 3 July 2021. In February and again in April, two car carriers owned by an Israeli firm also came under attack.
[87] Israel rarely confirms individual operations in Syria, though a year-end review published by the military put the number of strikes in the dozens. “2021 Summary: The Northern Arena”, Israel Defence Forces, 28 December 2021 (Hebrew). Chief of Staff Aviv Kohavi remarked: “The increase in the number of operations in the past year caused significant disruption to all pathways of injecting weaponry to different fronts by our enemies”. Quoted in Judah Ari Gross, "In 2022, IDF to focus on curbing Tehran in Syria, prepping strike on Iran nuke sites", Times of Israel, 28 December 2021.
An Emirati official explained: “Iran is not an enemy, and we want it to deal with us as equals. Escalation will affect us first, so we’re improving our ties on all levels while the JCPOA issue is resolved. ... We have to be on the safe side.” Riyadh, too, has begun a tentative dialogue with its long-time adversary, with four confirmed rounds of talks since April. “It is stunning how the Saudis and Emiratis are singing a different tune this time around”, observed a U.S. official. “They now understand the danger that the no-deal scenario poses to them.” While Iran has a rosier view that these talks could soon lead to reconciliation, Saudi leaders are more sober, particularly as the war in Yemen drags on, with Riyadh facing a rise in cross-border operations by Iran-backed Huthi rebels.

In Tehran, President Raisi has repeatedly said de-escalating tensions with Gulf Arab neighbours is a diplomatic and economic imperative. For the UAE and Saudi Arabia, both of which were at the receiving end of Iran’s regional provocations in response to the U.S. “maximum pressure” campaign, reciprocating those entreaties is a reasonable proposition, particularly when they question if Washington will support them in countering perceived Iranian threats. Maintaining lines of contact with Iran can, at a minimum, lower the likelihood of once again being in the line of fire should the U.S. and Iran return to the fully adversarial footing of 2019-2020; at best, these discussions may pave the way for more structured regional deliberations on

---

90 “Sheikh Nahayan bin Mubarak conveys UAE leaders’ congratulations to Iranian president”, press release, UAE Foreign Ministry, 5 August 2021; and Parisa Hafezi, “UAE security official pays rare visit to Iran to discuss ties, regional issues”, Reuters, 6 December 2021.
92 “Saudi and Iran signal warming ties but ‘real steps’ needed”, Agence France Presse, 11 October 2021. Iranian customs disclosed $41,140 in Iranian exports of glass and saffron to Saudi Arabia – a modest sum, but the first commercial exchanges since 2019. “Trade with Saudi Arabia building up under Raisi government”, Financial Tribune, 5 December 2021. Saudi Arabia also issued visas for three Iranian diplomats posted at the Jeddah headquarters of the Organisation of Islamic Cooperation, describing it as “a routine procedure”. Golnar Motevalli, “Iran-Saudi talks advance as Iranian diplomats receive visas”, Bloomberg, 23 December 2021. In late December, Tehran remonstrated against what it claimed were Saudi delays in facilitating the evacuation of Iran’s envoy in Sanaa, who subsequently died from COVID-19 complications; Riyadh called the accusation “defamatory” and said it had acted promptly following Omani and Iraqi mediation. “Iran to file protest against Saudi foot-dragging that led to envoy’s death: FM”, Press TV, 21 December 2021; and “Arab coalition slams Iran’s ‘defamatory’ claim over Irlu’s evacuation from Yemen”, Al Arabiya, 22 December 2021.
94 “There is real room for progress”, contended a senior Iranian diplomat. “We had made all the arrangements for interest sections in Mashhad and Jeddah through the Swiss. But the Saudis were dragging their feet. If they’re serious about de-escalation now, we can skip that and restore diplomatic ties, but I worry that if tensions flare over the JCPOA, the voices in Saudi Arabia who argue that now is not the time to engage with Iran seriously will gain prominence”. Crisis Group telephone interview, 8 September 2021. See also Seth Jones et al., “The Iranian and Houthi War against Saudi Arabia”, CSIS, December 2021.
95 “Deepening ties with neighbors a priority of Raisi’s foreign policy”, Tehran Times, 6 September 2021; and “President Raisi: Promoting trade ties with neighboring states Iran’s top priority”, Islamic Republic News Agency, 21 October 2021.
96 Crisis Group Middle East Report No 226, A Time for Talks: Toward Dialogue Between Gulf Arab States and Iran, 24 August 2021.
issues of common interest. Either scenario will likely hinge on the JCPOA’s fate, the most pressing issue in Iran’s foreign relations.

B. Waltzing in Vienna

A year after the Biden administration took office, Washington and Tehran remain locked in a diplomatic stalemate, despite their declared unity of purpose in returning to compliance with the nuclear deal. Three months of U.S.-Iran indirect talks – diplomats from other P4+1 countries and the EU ferried between the two sides – between April and June showed that the parties could narrow the gaps significantly. But Iran’s presidential transition resulted in a change of personnel, which delayed the resumption of talks, as well as a more maximalist stance when negotiators reconvened. The diplomatic impasse, coupled with the steady expansion of nuclear activity, has now put the agreement on the brink of collapse.

Two traits ascribed by Iranian counterparts to the new U.S. administration helped fortify impediments to a diplomatic settlement. First was its perceived lack of empathy. Iranians felt betrayed by the U.S. withdrawal from the JCPOA, wounded by the Trump administration’s implacable hostility and affronted by what they saw as U.S. indifference to unwarranted mass punishment of an entire nation amid a deadly pandemic. A senior Iranian official said: “The Biden administration doesn’t seem to understand that Trump’s withdrawal pulverised the smidgen of trust in the U.S. that the JCPOA had helped usher in. They have caused so much damage”.97 Biden’s expression of intent to return to the JCPOA itself lacked even a whiff of contrition for what Iran considers Trump’s sin in abandoning the deal, instead promising to find a smarter way to be tough on Iran.98 Secondly, the Democrats’ razor-thin majority in Congress made the administration risk-averse about foreign policy, lest controversy in that domain jeopardise Biden’s domestic agenda amid a pandemic-induced socio-economic crisis.99

Thus, instead of making a rapid about-face on Iran policy, the Biden administration engaged in internal deliberations as well as consultations with allies on how to proceed, while assuming a public posture that put the onus on Iran to return to compliance first, an approach Tehran deemed unacceptable.100 U.S. officials contend that

97 Crisis Group telephone interview, December 2021. See also Maziar Motamedi, “US sanctions inflicted $1 trillion damage on Iran’s economy: FM”, Al Jazeera, 21 February 2021; and “Iran urges Biden to lift sanctions affecting medicines as it fights COVID-19”, Reuters, 26 January 2021. The UN special rapporteur for human rights in Iran reported that U.S. sanctions have had “a negative impact on economic and social rights” in the country, “especially during the coronavirus disease (COVID-19) pandemic, with humanitarian exemptions proving unsuccessful”. “Situation of Human Rights in the Islamic Republic of Iran”, UN, 11 January 2021.
100 This stance was particularly disappointing to the Iranians. “We had waited for cooler heads to prevail in Washington and every intermediary that we talked to during the transition period told us that the U.S. return to the JCPOA will be, if not a first-day, then a first-week move by the new administration”. Crisis Group telephone interview, senior Iranian official, February 2021. See also Nick
Iran’s nuclear escalation, directed by the Iranian parliament’s 2020 law, as well as attacks by Iranian-backed militias on U.S. forces and allies in Iraq and Yemen, left Biden no space to even partially roll back sanctions as a means of signalling seriousness in his intended break from his predecessor’s policy.101

For Tehran, Washington’s reluctance to offer meaningful sanctions relief was a sign of bad faith or “a continuation of Trump’s policy with a softer tone”, as a senior Iranian official put it.102 Iran also viewed the Biden team’s self-described good-will gestures – the rescission of movement restrictions on Iranian diplomats in New York and of the Trump administration’s widely dismissed claim to have snapped back pre-JCPOA UN sanctions – as insubstantial.103

There is room for debate about whether the Biden administration could or should have unilaterally returned to the JCPOA in the same manner that it returned to the Paris climate deal or other international commitments on which its predecessor reneged.104 As a matter of policy and politics, domestic critics would likely have viewed it as naïve, at best, or reckless, at worst, to unilaterally lift sanctions without a clear sense of how Iran would reciprocate on its nuclear infractions. As a diplomatic matter, it would have required at least some engagement over how the U.S. would rejoin the JCPOA as a formal participant.

To be sure, as the aggrieved party, Iran approached the prospect of new talks with inflated – and at times unrealistic – expectations. Even before Biden was inaugurated, Supreme Leader Ayatollah Ali Khamenei proclaimed that Iran “neither insists nor is in a rush for the U.S. to return to the JCPOA”. He added that the U.S. had to lift “all sanctions” before Iran would return to compliance, implying that Tehran does not distinguish between nuclear-related sanctions and JCPOA-consistent non-nuclear

---

102 Crisis Group telephone interview, February 2021.
ones. Yet Washington’s initial dithering undoubtedly prompted further Iranian entrenchment.

In February, Ayatollah Khamenei outlined Iran’s “final word” on conditions for restoring the JCPOA, requiring that the U.S. deliver sanctions relief “in practice” – not merely “on paper” – and as “verified” by Iran. When the EU on 18 February proposed bringing all the parties together for an “informal meeting”, the Biden administration accepted immediately, but Tehran said no, citing the lack of tangible concessions from Washington. With a sense of deadlock creeping in, both sides began contemplating suggestions for a gesture-for-gesture exchange to build momentum. But Iran dismissed the Biden administration’s opening bid – the release of $1-2 billion of frozen Iranian assets in return for Tehran halting 20 per cent enrichment and work on advanced centrifuges as well as restoring UN inspectors’ access – as unsatisfactory.

Frustrated with slow progress, Iran decided, in late March, to bypass incremental measures in favour of discussions on the deal’s restoration in toto. The talks started in Vienna on 6 April, facilitated by the EU and with discussions between the Iranian and U.S. teams occurring only indirectly through the deal’s European, Russian and Chinese participants. The parties established two expert-level working groups: one tackling nuclear issues and the other addressing sanctions. A third group tasked with sequencing was set up two weeks later. Iranian negotiators’ refusal to directly interact with their U.S. counterparts meant that other participants had to relay messages between the two sides, rendering the talks more cumbersome while leaving room for misunderstandings.

---

106 A senior Iranian official said: “The reluctance to say or do anything, along with continuing Trump’s policies, is sending a signal that Washington at best is in disarray and at worst is deliberately sabotaging any prospects for JCPOA revival. It’s strengthening the perception of those in Iran who say the deal is dead”. Crisis Group telephone interview, February 2021.
107 “The final word on sanctions”, Khamenei.ir, 9 February 2021 (Persian). In parallel, the Supreme Leader’s website featured a series of interviews with the country’s political elite reaffirming Ayatollah Khamenei’s stance. “The final word dossier”, Khamenei.ir, February 2021 (Persian).
108 A senior Iranian official assessed the situation as follows: “If we wanted to negotiate with the enforcers of ‘maximum pressure’, we would have talked to Trump”. Crisis Group interview, Tehran, February 2021. See also Jennifer Hansler, Nicole Gaouette and Kylie Atwood, “U.S. says it is willing to sit down for talks with Iran and other nations on nuclear deal”, CNN, 19 February 2021; and “Time not ripe for unofficial meeting proposed by EU’s Borrell”, press release, Iranian Foreign Ministry, 28 February 2021.
109 A senior U.S. official noted: “There was more to the offer, but this was only the opening salvo. Also, gesture-for-gesture was Iran’s idea. But now they want to discuss everything. This is yet another sign that they are internally divided”. Crisis Group interview, Washington, 2 April 2021.
110 A senior Iranian diplomat explained: “We decided to put the gesture-for-gesture idea aside because it was taking too much time and making too little progress. We needed to find a way to break the deadlock and thus suggested we start talking about the endgame”. Crisis Group telephone interview, 2 April 2021. John Irish and Arshad Mohammed, “U.S. open to discussing wider nuclear deal road map if Iran wishes”, Reuters, 30 March 2021.
111 “Department Press Briefing”, U.S. State Department, 6 April 2021; and “JCPOA: Chair’s Statement Following the Meeting of the Joint Commission”, European External Action Service, 20 April 2021.
112 Crisis Group interviews, U.S. and European officials, May-July 2021. A senior Raisi administration official said: “What did we get out of direct negotiations and deal-making with the U.S. other than
As discussions came to minutiae of a compliance-for-compliance deal, sizeable gaps emerged. The Iranian delegates were encouraged by the first U.S. sanctions relief offer, which would have unshackled key sectors of Iran’s economy. But they were surprised that Washington sought to uphold designations of nearly 500 individuals and entities targeted by non-nuclear sanctions. They were startled as well that the U.S. conditioned removal of some of these sanctions on Iran committing to follow-on negotiations over a “longer and stronger” nuclear accord. Iran views any penalty levied against it under Trump as violating the deal. The U.S. is loath to lift sanctions that it deems justified (eg, those imposed because of Iran’s human rights violations or its ballistic missiles program), lest it set an unhelpful precedent.

Non-nuclear sanctions were not the only point of divergence. Tehran wanted the U.S. to lift the only statutory sanction enacted under Trump, ie, the Countering America’s Adversaries Through Sanctions Act (CAATSA), which would require an act of Congress. It also sought removal of the Trump administration’s embargo on its backstabbing and more sanctions? Why should we do it again?” Crisis Group interview, New York, September 2021. The senior U.S. negotiator in Vienna, Robert Malley, remarked: “The essence of a negotiation is to try to get a sense [of] what really matters to them and what their priorities are, and how you can work through those priorities and overcome obstacles. You can’t do that, or you can’t do that easily, if there’s no direct communication”.

During the JCPOA negotiations (2013-2015), the sides started from diametrically opposed positions and settled on a middle-ground path forward. But as the party responsible for breaching the agreement by withdrawing from it, the U.S. this time started with an opening salvo that was close to its bottom line – a fact that Iranian negotiators misjudged, believing that the U.S. still had significant latitude to make concessions. Crisis Group interviews, senior U.S. and Iranian officials, April-June 2021. In his last quarterly report on the JCPOA to the Iranian parliament, then Foreign Minister Zarif offered a detailed list of sanctions that the U.S. was willing to lift. See “22nd Quarterly Report on JCPOA’s Implementation”, Iranian Foreign Ministry, 11 July 2021. The U.S. categorised its existing designations in three buckets: those it was considering lifting (the “green bucket”); those that were up for discussion (the “yellow bucket”); and those that were not (the “red bucket”). Crisis Group interviews, U.S. officials, Washington, April-June 2021. Delisting the Supreme Leader’s Office from the sanctions list and the IRGC from the foreign terrorist organisation list was subject to Iran committing to follow-on negotiations. “Diplomat elaborates on the West’s ulterior motives in nuclear talks”, Tehran Times, 30 July 2021. Iranian negotiators had no mandate to discuss a follow-on deal. Some viewed it as a trap or a slippery slope that Washington could exploit down the road to snap back sanctions if a successor follow-on deal remained beyond reach. Crisis Group interviews, Iranian officials, Tehran, June-July 2021.

A senior Iranian official said: “They might not be nuclear sanctions in name, but they were imposed to undermine the nuclear deal. So, they are nuclear in intention”. Crisis Group telephone interview, April 2021. Some sanctions advocates had encouraged the Trump administration to layer the sanctions regime with non-nuclear sanctions as a means of tying Biden’s hands should he win the 2020 election. Ian Talley, “Trump administration hopes to make Iran pressure campaign harder to reverse”, The Wall Street Journal, 23 October 2020.

CAATSA imposes sanctions on Iran’s ballistic missiles and “weapons of mass destruction programs”; the sale, transfer or financing of Iranian military equipment; and the IRGC. Countering America’s Adversaries Through Sanctions Act, Public Law 115-44, Federal Register, 2 August 2017. An act of Congress removing a CAATSA penalty is hard to imagine under any circumstances and nearly unthinkable given today’s narrowly divided Senate and partisan rancour.
ability to sell and purchase conventional arms, which it views as a violation of UN Security Council Resolution 2231. Iran even asked for relief from U.S. primary sanctions, which the JCPOA did not touch except in a few minor areas.

Perhaps most importantly, after its experience with the Trump administration, Iran demanded ironclad guarantees that the U.S. would not pull out of the JCPOA again or continuously undermine it by imposing new sanctions. A senior Iranian official said:

Without guarantees that the U.S. won’t once again dramatically alter its policy toward Iran, no international bank is going to work with Iran. ... This means we won’t reap all the JCPOA’s dividends, but the West expects us to comply with all of our nuclear commitments.

The Biden administration rejected this demand, saying: “There is no such thing as a guarantee”. Although starkly put, there is some truth to this statement. While the Biden team could have done more to give assurances that Iran would reap benefits from the deal at least as long as it stays in office, as a practical matter, there is little any administration can legally do to bind the hands of a future administration that wishes to repudiate its predecessors’ foreign policy commitments.

---

118 Having failed to extend UN restrictive measures on Iran’s access to conventional weapons market, which expired on 18 October 2020 based on the timeline to which Iran and the P5+1 (the UK, France, Russia, China, the U.S. and Germany) had agreed under UN Security Council Resolution 2231, the Trump administration resorted to unilateral sanctions. Matthew Lee, “US says all UN sanctions on Iran restored, but world yawns”, Associated Press, 19 September 2020; and Executive Order 13949, Federal Register, 21 September 2020.

119 Primary sanctions apply to U.S. persons and entities, while secondary sanctions extend to non-U.S. actors. Under the JCPOA, the U.S. provided considerable relief from nuclear-related secondary sanctions but only limited relief from primary sanctions, including for the sale of aircraft and parts, a licence allowing foreign subsidiaries of U.S. firms to do business with Iran and permitting import of certain Iranian foodstuffs and carpets. But as a senior Treasury Department official noted at the time, “the [U.S.] embargo otherwise remains as is”, with Iran given access neither to U.S. markets nor to its financial system. The Trump administration revoked the exemptions as part of its withdrawal from the deal. See “Written Testimony of Adam J. Szubin”, U.S. House Committee on Foreign Affairs, 25 May 2016; and “Revocation of JCPOA-related General Licenses: Amendment of the Iranian Transactions and Sanctions Regulations; Publication of Updated FAQs”, U.S. Treasury Department, 27 June 2018. One benefit of lifting these primary sanctions from Iran’s perspective would be to enable currency conversion and limited access to the U.S. financial system to facilitate Iran’s banking transactions. In 2008, the George W. Bush administration revoked U.S. banks’ permission to clear indirect dollar transactions for Iranian financial institutions, known as a “U-turn”, which facilitated Iran’s access to hard currency through tertiary banks. An Iranian official said: “The fact that the U-turn is a primary, not a secondary, U.S. sanction is not Iran’s problem”. Quoted in “The U.S. wants to take the nuclear deal hostage for missile and regional issues”, Khamenei.ir, 28 July 2021 (Persian). For background, see “Revoking an Authorization Previously Granted to U.S. Depository Institutions to Process U-turn Transfers”, U.S. Treasury Department, 6 November 2008.

120 Crisis Group telephone interview, September 2021. European, Russian and Chinese representatives, who saw their countries’ firms were adversely affected by U.S. sanctions in 2018, largely sympathise with Iran’s demand. Crisis Group online interviews, Vienna, December 2021.

121 U.S. official, quoted in “Briefing with Senior State Department official on Recent U.S. Engagement in Vienna Regarding the JCPOA”, U.S. State Department, 21 April 2021.
Nuclear discussions proved equally contentious, with the Western delegations exasperated by what they viewed as vague or noncommittal Iranian responses on key concerns, Tehran’s deepening of its JCPOA breaches while the talks were under way, and Iran’s increasingly fraught relations with the IAEA.\footnote{Crisis Group interviews, U.S. and European officials, Washington, May-June 2021.} Iran’s progress on more advanced centrifuges is one of the tallest hurdles, as it adversely affects the key non-proliferation metric around which the JCPOA was designed: the amount of time needed for Iran to enrich enough fissile material to weapons-grade level for one nuclear weapon, known in shorthand as “breakout time”.\footnote{For more background, see Ali Vaez, “Missing the point on Iran’s nuclear breakout time”, Al Jazeera, 2 March 2015.} The JCPOA extended that timeframe to more than twelve months. Iran’s mastery of much more advanced centrifuges in the past few months – especially the IR-6, which has a separative power more than five times greater than the workhorse of Iran’s nuclear program, the IR-1 – makes it almost impossible to recapture the one-year breakout time unless Iran is willing, in addition to dismantling the machines and storing them under seal, to destroy the corresponding electronic infrastructure and mothball their assembly lines.\footnote{Crisis Group interviews, U.S. and European officials, Washington, May 2021.} The West wants Iran to do these things; Tehran deems them beyond its JCPOA commitments.\footnote{Crisis Group interview, senior Iranian official, New York, September 2021.}

In the same vein, serious differences remained over the sequencing of steps each side would have to take to return to full compliance, with Iran expecting the U.S. to fulfil all its commitments first and give Tehran several months to verify the effectiveness of sanctions relief.\footnote{Crisis Group telephone interviews, senior Iranian official, May-June 2021.} While the U.S. was willing to front-load some sanctions relief, it was not willing to accept a months-long delay or a conditions-based Iranian return to full compliance.\footnote{Crisis Group interviews, senior U.S. official, Washington, May-June 2021.}

Notwithstanding these challenges, a draft agreement with multiple brackets on eight outstanding issues was emerging on 20 June, right after Iran’s presidential election, when the delegates broke for consultations with their respective capitals, with the expectation that they would reconvene for a seventh round by the month’s end.\footnote{When leaving Vienna following the sixth round, Iran’s chief negotiator, Abbas Araghchi, told his European counterparts that consultations in Tehran would take seven to ten days. Crisis Group virtual interviews, European officials based in Brussels and London, July 2021. He was reflecting the general optimism that a deal was within reach. See, for example, “Coordinator of Iran nuclear talks expects deal at next round”, Reuters, 2 June 2021; and “Russia expects Iran nuclear deal to be back in effect before July 14 – spokeswoman”, TASS, 1 July 2021.} But as the weeks passed, it became increasingly apparent that Tehran had decided that negotiations would not resume until the incoming Raisi administration had put together a new team and made the preparations it deemed necessary.\footnote{For more on Ebrahim Raisi’s election, see Crisis Group Middle East Report N°224, Iran: The Riddle of Raisi, 5 August 2021.}

Yet both within Iran and among JCPOA stakeholders, the foot dragging during the presidential transition is seen as a reflection of internal divisions in Tehran and a possible portent of deeper shifts in Iranian calculations. Some have come to believe
that elements of the Iranian leadership did not trust Rouhani’s administration, which had struck a deal they view as flawed, and did not want his team to negotiate a pathway for re-entering it. Toward the end of his presidency, Rouhani lamented that “they took away the opportunity to reach an agreement from this administration”, referring obliquely to a December 2020 law enacted with Ayatollah Khamenei’s backing. Others now believe that Iran is simply no longer interested in the JCPOA, but has kept the semblance of diplomacy in place as cover for dramatic expansion of its nuclear program – either as leverage to get a better deal or to become a threshold nuclear weapons state – while avoiding blame for a breakdown in negotiations.

What is clear, however, is that Iran was unsatisfied with the offer that was on the table in June. Ayatollah Khamenei complained that the U.S. “stood firm in its hostile stance” and “excessive demands”. He said Washington refused to provide guarantees because it “has no shame in reneging on its commitments, as it did before in a cost-free manner”. Absent guarantees, many in Tehran worry, sanctions relief will be ineffective, unsustainable and perhaps even detrimental to the Iranian economy as the spectre of reimposed sanctions haunts long-term planning. As a senior Iranian official explained:

The uncertainty of sanctions relief’s durability, which depends on whether Republicans take over Congress [as a result of mid-term elections] in 2023 or the White House in 2025, is more damaging for our economic operators than the certainty of living under a sanctions regime whose peak is already behind us.

Moreover, as a former senior Iranian official explained, now that Ayatollah Khamenei’s allies are in control of all levers of power, it would be a political disaster for them to end up in the exact same place where Rouhani found himself after the U.S. exited the deal. “It’s a fool-me-twice-shame-on-me situation, with the difference that

---

130 Crisis Group interviews, European and U.S. officials, Brussels and Washington, December 2021. Electoral calculations might have been at play, too. A former Iranian official said: “A deal prior to the June presidential election could have put more wind in the sails of more moderate candidates, but this was not what the system wanted”. Crisis Group telephone interview, December 2021. A senior European official said: “In hindsight, I think Araghchi never had a mandate to finalise a deal before power changed hands in Iran”. Crisis Group interview, Brussels, 7 December 2021. A senior Iranian official rejected this hypothesis. “Maybe Tehran had concluded in June that a deal that would be beneficial to Iran is not on the cards, but we were serious in trying to get a deal during the first five rounds”. Crisis Group telephone interview, 24 December 2021.

131 Quoted in Parisa Hafezi, “Iran insists it can enrich uranium to 90 percent purity – weapons grade – if needed”, Reuters, 14 July 2021. Two weeks later, Ayatollah Khamenei criticised the outgoing Rouhani administration for having been too eager and trusting in negotiating with the West. See “West can’t be trusted proven in Mr. Rouhani’s administration: Imam Khamenei”, Khamenei.ir, 28 July 2021.


133 “The Leader’s last meeting with the twelfth government”, Khamenei.ir, 28 July 2021 (Persian).

134 Statements by senior Republicans have lent credence to these Iranian concerns. Adam Kredo, “Republicans warn Iran: Biden nuclear deal will be trashed when GOP retakes power”, Washington Free Beacon, 4 November 2021.

135 Crisis Group interview, New York, September 2021.
the conservatives no longer have the more moderate forces of Iranian politics to blame”, he added.  

On top of its discontent with the U.S. offer, Iran had to deal with internal discord after the Raisi administration took office in August. While Raisi had expressed his commitment to the nuclear deal during the campaign, he had to grant a share of power to a more hardline faction within the conservative camp that had facilitated his ascendance and is highly critical of the JCPOA. Raisi appointed Hossein Amir-Abdollahian, a career diplomat with relatively pragmatic views on the JCPOA, as foreign minister, but as a compromise put Ali Bagheri-Kani, Amir-Abdollahian’s new deputy, who served as deputy nuclear negotiator under President Mahmoud Ahmadinejad and is a staunch JCPOA foe, in charge of the nuclear talks. The new administration then took weeks to deliberate over how Tehran should approach the negotiations, mirroring (but elongating) the process Biden’s team had gone through earlier in 2021. By the time the Iranian delegation was ready to resume negotiations in Vienna, five months had passed since talks adjourned in June.

But, operating on the assumption that Iran’s leverage was increasing more quickly than the West’s capacity for inflicting additional financial pain, or its appetite for military action, Tehran was also in no rush. In the end, those advocating a less conciliatory approach, banking on Iran’s growing nuclear leverage to extract more concessions from the U.S., gained the upper hand. The new team’s approach was also informed by the desire to outperform their predecessors and the doctrine that “the U.S. only understands the language of force”.

137 In a presidential debate, Raisi said: “We will abide by the JCPOA, which the Supreme Leader approved, but [the Rouhani team] cannot implement it. Implementing the JCPOA requires a strong government”. Quoted in Amir Vahdat, “Final presidential debate shows Iran’s political fissures”, Associated Press, 12 June 2021. The hardline element needing accommodation was the Paydari (Steadfast) faction, which ran Raisi’s campaign. Saeed Jalili, their main candidate and a former nuclear negotiator under President Ahmadinejad, had stepped aside in Raisi’s favour.
138 Bagheri-Kani, whose brother is Ayatollah Khamenei’s son-in-law, had previously outlined 100 areas in which the JCPOA stood in contradiction to Iran’s rights as a member of the Non-Proliferation Treaty and violated the Supreme Leader’s red lines. “The JCPOA undercuts 100 of Iran’s rights”, Fars News, 30 January 2017 (Persian); and “Khamenei: Red lines on nuclear deal”, U.S. Institute of Peace, 23 June 2015. When asked about his past criticism of the JCPOA, Bagheri-Kani noted that he was then a policy expert, but is now a policymaker, adding that as such his personal views no longer matter. Quoted in Laura Rozen, “Iran position still unclear going into resumed talks, diplomats say”, Diplomatic (Substack newsletter), 17 November 2021.
139 While the combination of elected and unelected centres of power in Iran’s government means that there is strategic continuity on major issues, presidential elections do matter in terms of personnel and policy approaches. For more background on Iran’s new nuclear negotiating team, see Mehrzad Boroujerdi, “Who’s on Iran’s Current Nuclear Negotiating Team? Some Have Controversial Pasts”, Atlantic Council, 11 January 2022.
140 In this period, Iran repeatedly demanded that the U.S. unfreeze a substantial portion of its frozen assets to demonstrate seriousness about rejoining the JCPOA. “Iran asked U.S. to unfreeze $10 billion to show good will, Iran official says”, Reuters, 2 October 2021.
141 A senior Iranian official said: “We have the nuclear program already; the Americans are the ones who want to dismantle it. So, they’re the ones who need to compromise and we’re the ones who are in a strong position again today”. Crisis Group interview, London, 11 November 2021. Such a leverage-focused approach is in line with the negotiating strategy that Iran pursued under Ahmadinejad.
With the diplomatic hiatus after the sixth round in June stretching from weeks to months, the West’s patience started wearing thin. The U.S. and Europeans began warning that the notion of reviving the JCPOA in its original form might soon become moot because Iran’s nuclear program was becoming too advanced for the restored deal to contain it.\footnote{142 Eric Martin and Nick Wadhams, “Blinken says there’s ‘limited runway’ for Iran nuclear talks”, Bloomberg, 30 September 2021; and John Irish and Parisa Hafezi, “Europeans raise pressure on Iran over nuclear deal before EU visit”, Reuters, 13 October 2021.} As a senior European official put it in December: “If Iran’s nuclear program was a Fiat back in June, it is now a Ferrari”.\footnote{143 Crisis Group interview, Brussels, 7 December 2021.} In the meantime, imitating the Biden administration’s initial hesitancy, Iran kept saying it would come back to the table “soon”, after it completed a policy review.\footnote{144 A senior U.S. official countered that it took only one month for the Biden administration to accept an EU invitation for the nuclear talks, whereas Iran’s delay took more than five months. Crisis Group interview, Washington, November 2021. “Iran says nuclear talks won’t resume for 2-3 months”, Agence France Presse, 1 September 2021.}

In October and early November, Iran started engaging the EU, the E3, Russia and China in preliminary discussions.\footnote{145 “Iranian deputy FM meets EU’s Mora in Brussels”, Mehr News, 27 October 2021; “Illegal sanctions removal emphasised in European tour”, Iranian Labour News Agency, 13 November 2021; and “Iran’s deputy FM discusses JCPOA with Chinese, Russian counterparts”, Islamic Republic News Agency, 15 November 2021.} The key message those interlocutors conveyed to the new Iranian nuclear negotiators was that the P5+1 (the UK, France, Russia, China, the U.S. and Germany) was united on the need to pick up the negotiations from where they left off in June.\footnote{146 Crisis Group interviews, U.S. and European officials, Washington, October-November 2021. However, it is worth noting that the Western negotiators reported receiving a strong message from Iran that it was not ready to return to the negotiating table until after the review of its nuclear program was completed. For more details on nuclear talks in this period, see Crisis Group Middle East Briefing N°34, The P5+1, Iran and the Perils of Nuclear Brinkmanship, 15 June 2012.} In parallel, the U.S. and E3 leaders issued a joint statement on 30 October, explicitly underscoring President Biden’s commitment “to stay in full [JCPOA] compliance, as long as Iran does the same”.\footnote{147 “Joint Statement by PM Boris Johnson, President Macron, Chancellor Merkel and President Biden”, UK Prime Minister’s Office, 30 October 2021.} A few weeks later, some of Iran’s Arab neighbours joined the U.S. and E3 in alluding to the prospect of “deeper economic ties” in the event of the JCPOA’s revival – a sea change in position compared to 2015, when these states had opposed the deal for fear that their rival would subsequently throw its weight around in the Middle East unbridled.\footnote{148 “U.S. GCC Iran Working Group Statement”, U.S. State Department, 17 November 2021; and “E3 plus US Statement: Meeting with Gulf Cooperation Council, Egypt and Jordan”, UK Foreign, Commonwealth and Development Office, 18 November 2021.}
But when the seventh round finally resumed on 29 November after a five-month hiatus, talks immediately hit a wall. Iran submitted two draft proposals, one on sanctions relief that, as anticipated, amounted to a tougher bargain than what Rouhani’s negotiators had proposed; and another on nuclear measures, which in effect walked back most of the concessions to which the two sides had agreed during the six rounds of talks from April to June. Then, on 1 December, Iran announced it had begun enriching uranium to 20 per cent, using a cascade of 166 advanced IR-6 centrifuge machines at its bunkered Fordow facility. Nuclear provocation compounded by Iran’s inflexibility in the talks prompted stern entreaties from the E3 to the Iranian delegates, who asked for a break in negotiations to give their superiors in Tehran time to revise the official stance so that they could return to Vienna with a more reasonable position.

When the parties reconvened in Vienna a few days later, Iran was as unwilling to retreat as the West was unprepared to demonstrate flexibility in the face of what it saw as Iranian recalcitrance. A senior Iranian negotiator complained: “We have a new government and [therefore] a new approach. So why can’t we submit our new proposals?” A European official countered: “If every time there is a change of government in any of the seven countries involved in these talks, we have to put everything on hold while they get their act together, we can never reach a conclusion”.

---

149 A senior British official said: “Iran’s position is so beyond the pale that it is impossible to meet them halfway. They have basically pocketed all of our concessions from the first six rounds, walked back or watered down theirs, and are now asking for more”. Crisis Group interview, Vienna, 10 December 2021. Echoing a similar view, a U.S. official said: “On sanctions, it was like Araghchi on a bad day. But on the nuclear side, the Iranian position even shocked Russia and China”. Crisis Group interview, Washington, December 2021.

150 Francois Murphy and Parisa Hafezi, “Iran makes nuclear advance despite talks to salvage 2015 deal”, Reuters, 1 December 2021.

151 The E3 stated: “Iran is breaking with almost all of the difficult compromises crafted in months of tough negotiations and is demanding substantial changes to the text. ... It is unclear how these new gaps can be closed in a realistic timeframe on the basis of the Iranian drafts”. Quoted in Steven Erlanger, “Iran nuclear talks head for collapse unless Tehran shifts, Europeans say”, The New York Times, 3 December 2021. See also Laura Rozen, “‘Back to square one almost’: Iran talks end with no clear progress”, Diplomatic (Substack newsletter), 3 December 2021. But Iran did not budge. “Iran chief negotiator says nuclear proposals ‘cannot be rejected’”, Al Jazeera, 3 December 2021.

152 Crisis Group interviews, European and Russian diplomats, Vienna, 10 December 2021.

153 Crisis Group telephone interview, 13 December 2021. “The Europeans are sometimes more rigid than the Iranians. Multilateralism is the diplomatic equivalent of trench warfare over a text. I see no problem with that”, observed a senior Russian official. Crisis Group interview, Vienna, 10 December 2021. The E3 officials said: “We have had many hours of engagement, and all delegations have pressed Iran to be reasonable. As of this moment, we still have not been able to get down to real negotiations. We are losing precious time dealing with new Iranian positions inconsistent with the JCPOA or that go beyond it. This is frustrating because the outline of a comprehensive and fair agreement that removes all JCPOA-related sanctions, while addressing our non-proliferation concerns, is clearly visible – and has been so since last summer. But time is running out. Without swift progress, in light of Iran’s fast-forwarding of its nuclear program, the JCPOA will very soon become an empty shell”. Quoted in Francois Murphy, “Nuclear deal with Iran will soon be ‘empty shell’ – European diplomats”, Reuters, 13 December 2021.

154 Crisis Group interview, Brussels, 7 December 2021.
Russia, China and the EU found themselves in the middle, and with some exertion helped the parties reach a middle ground. After relitigating every element of the nuclear text, Iran agreed to return more or less to where talks had adjourned in June, and in return the negotiators added elements of Iran’s proposals on sanctions relief to the main text in brackets for discussion. But the fact that it took nearly two weeks to redefine the basis of negotiations frustrated Western negotiators.

Negotiations resumed for an eighth round on 27 December, and after a brief new year pause, are proceeding at the time of publication. All the participants have noted a degree of forward movement, and the overall mood appears more positive than during the fraught seventh session, in spite of a new Iranian provocation – this time in the form of a satellite launch. But Western officials continue to assess the pace of progress as unacceptably slow.

A key question that has been linked to the JCPOA’s fate concerns the circumstances of dual nationals of Iran and Western countries who are detained in Iran. Their release was to be part of a swap the U.S. and Iran were indirectly negotiating in Vienna in parallel to the nuclear talks up until June. But when the nuclear talks were suspended, so were discussions over consular issues, which prompted a public feud between Tehran and Washington. Progress or deadlock on one track would almost certainly affect the other.

---

156 Crisis Group interviews, U.S. and European officials, Washington, December 2021. See also tweet by Enrique Mora, @enriquemora_, deputy secretary general of the European External Action Service, 1:55am, 18 December 2021.
157 When asked how the talks were progressing, a senior European official said in Persian: “It’s all about [talks for talks]”, adding, “I have never heard the word ‘logical’ so many times in the course of one day as I have heard from the Iranians in laying out their impractical proposals”. Crisis Group interview, Vienna, 10 December 2021. A senior U.S. official described the seventh round as “better than it might have been … [but] worse than it should have been, which leaves us in an uncertain position as to whether we can get to where we need to go in the short time that we have left to get there”. Quoted in “Senior State Department Official on the JCPOA Talks in Vienna”, U.S. State Department, 17 December 2021. Iran blamed France’s positions for the slow progress. “Source raps France’s obstructive role in Vienna talks”, Tasnim, 26 December 2021.
158 “U.S. hopes to build on Iran nuclear talk progress this week”, Reuters, 4 January 2022; “German minister says Iran has squandered a lot of trust”, Reuters, 5 January 2022; “France sees progress in Iran nuclear talks, but time pressing”, Reuters, 7 January 2022; “Iran launches research satellite, testing Western powers amid talks on nuclear deal”, Agence France Presse, 30 December 2021. For more on Iran’s space program, see Jim Lamson and Jeffrey Lewis, “Iranian President Raisi’s renewed emphasis on space is likely to create new tensions”, War on the Rocks, 20 December 2021.
159 Crisis Group telephone interview, 9 January 2022.
IV. **Between Crisis and Compromise**

It is difficult to overstate the stakes around the JCPOA’s fate, both in terms of non-proliferation risks and regional ramifications. While hard to achieve given marrow-deep mistrust and mismatched expectations, a compliance-for-compliance approach to reviving the JCPOA remains the least costly option for both Iran and the U.S, especially considering that the alternatives are either far worse or unattainable. A realistic understanding of the costs associated with Plan B options renders saving Plan A – restoring the JCPOA – a strategic imperative for all sides.

A. **Plan B: No Good Options**

In the JCPOA negotiations, time is of the essence. Iran’s nuclear advancements will soon put the country on the threshold of nuclear weapons capability. “At this pace, by the end of January [2022], Iran will have enough 60 per cent enriched uranium to feed into advanced IR-6 centrifuges for a rapid dash toward breakout”, warned a senior IAEA official.\(^{162}\) Another concern is that, should it acquire nuclear weapons latency (ie, possessing the technology and material to build a bomb without full operational weaponisation), Iran could prompt other countries in the region – from Turkey to Saudi Arabia and Egypt – to follow suit.

Nearly everyone regards these scenarios as highly undesirable at best, and some have bruited other means of forestalling them. Some experts suggest that the nuclear talks could result in protracted stalemate: negotiations neither succeed nor collapse entirely, while the West doubles down on sanctions, draws lines that it asserts Iran cannot cross, and keeps retarding the nuclear program’s progress through cyberattacks and sabotage.\(^{163}\) Israel, too, seems to prefer that the West apply more coercion, believing it can help deter greater nuclear provocations and yield better results than a revived JCPOA that economically unshackles a foe for a deal whose nuclear provisions will soon begin to ease.\(^{164}\) Others argue for setting clear red lines as to what Iran...
nian nuclear steps would trigger a U.S. military response, or underscoring the credibility of the U.S. military threat beyond the oft-repeated “all options are on the table” refrain – eg, through military drills, or the transfer of strategic bunker buster weapons and anti-missile defence systems to Iran’s regional adversaries.  

But the current standoff is unsustainable, and neither red lines nor sabotage or threats are likely to deliver the intended results. An Iran that is keen on getting out from under stifling sanctions is unlikely to halt the nuclear escalation it sees as its most potent source of leverage. Absent the JCPOA, the West would thus confront the unpalatable choice: either live with a nuclear-threshold Iran or take military action to stop it from coming into being. An arbitrary red line could encourage Iran to walk right up to that threshold. “If we put a red line at 90 per cent, what are we going to do if Iran enriches to 85 per cent, which is still usable in nuclear weapons?”, asked an Israeli official. Sabotage might cause temporary setbacks, but might also accelerate Iran’s nuclear program due to sharpened threat perception or bruised pride.

As for threats of force, they could be ignored by those in Tehran who, having witnessed the U.S. withdrawal from Afghanistan in August 2021, are convinced that Washington has no stomach for all-out military confrontation – particularly against a much bigger, better-armed and better-funded adversary than the Taliban. These same people are apt to downplay the possibility of Israeli military action, as they believe that Iran has established conventional deterrence on Israel’s northern border in the form of tens of thousands of Hizbollah missiles in Lebanon. Alternatively, and worse, threats could play into the hands of those in Iran who have been advocating that Tehran acquire the ultimate deterrent – a nuclear weapons capability – instead of dissuading Iran from crossing the nuclear threshold.

Moving past threats and resorting to military force could usher in the worst of all worlds. A strike upon Iran’s extensive, well-fortified and geographically dispersed
nuclear program would entail substantive costs and severe risks with uncertain benefits. Iran is certain to directly retaliate, as it did in response to the U.S. killing of Soleimani in 2020, which by a stroke of luck did not cause any fatalities. Iran has a formidable capacity for retaliation. In the words of General Kenneth McKenzie, head of U.S. Central Command in charge of military operations in the Middle East and South Asia, “Iran’s strategic capacity is now enormous. They’ve got overmatch [ie, a level of capability that makes it extremely difficult to check or defeat a foe] in the theatre – the ability to overwhelm”.

A resort to force could also snowball against Washington in other ways. Tehran’s Middle Eastern allies are likely to enter the fray, potentially hitting Israel and trying to push the U.S. out of Iraq and Syria, risking a devastating regionwide escalation. A senior Hizbollah official said: “If the U.S. and/or Israel attack the mothership [ie, Iran], they will eventually come for us. So, we have no choice other than pre-empting”. Escalation also raises the likelihood of tragic mistakes occurring in the fog of war; for example, right after Iran’s retaliatory attack on U.S. bases in Iraq on 8 January 2020, Iran shot down a Ukrainian passenger jet it says it mistook for a U.S. cruise missile. The militarisation of Iranian politics that an attack could induce is also likely to have disastrous consequences for the country and its inclination to negotiate thereafter. In fact, Iran will likely witness loud calls within its power centres for reconstituting the nuclear program and swiftly moving toward building a bomb. These

170 Israel has stepped up funding and planning for a possible attack on Iranian nuclear facilities, which its military chief of staff noted is “a very complicated job, with much more intelligence, much more operational capabilities, much more armaments. We’re working on all these things”. Aviv Kohavi quoted in “Israel said to approve $1.5 billion budget for potential strike on Iran”, Times of Israel, 19 October 2021. But it is unclear how big a blow Israel could deliver. As a senior White House official put it, “there is no unilateral Israeli military option”. Crisis Group virtual interview, Washington, 24 November 2021. See also Ronen Bergman and Patrick Kingsley, “Israeli defense officials cast doubt on threat to attack Iran”, The New York Times, 18 December 2021; and Danny Citrinowicz, “I once headed the Iran branch of Israel’s military intelligence research. Here’s why Israel can’t take out Iran’s nuclear program”, Atlantic Council, 20 December 2021.

171 Quoted in Robin Wright, “The looming threat of a nuclear crisis with Iran”, The New Yorker, 27 December 2021. See also “Iran says war games in Gulf were warning to Israel”, Reuters, 24 December 2021.


173 “Canada, other nations vow action against Iran over reparations for downed jet”, Reuters, 6 January 2022.

174 A prominent political analyst in Tehran warned: “A military strike does not pose an existential threat to the Islamic Republic but provides the IRGC with an opportunity to take over while rallying the population around the flag”. Crisis Group telephone interview, December 2021. Tellingly, the Raisi administration has already appointed an unprecedented number of former IRGC officials as provincial governors. “Criticism of widespread appointment of military governors in the Raisi administration”, BBC Persian, 17 November 2021.

175 A former senior Iranian official said: “By that point, we have paid the economic price of nuclear weapons and have been attacked. So, there is no reason not to take the last step”. Crisis Group telephone interview, September 2021.
perils outweigh what officials and experts assess amounts, at best, to a two- to four-year delay in Iran’s nuclear program.\footnote{Crisis Group interviews, current and former U.S. officials, Washington, August-December 2021. See also Austin Long and William Luers, “Weighing benefits and costs of military action against Iran”, The Iran Project, 2012.}

Yet if the parties do not reach a deal soon, a cycle of escalation that could spawn military confrontation will be an increasing danger. Convinced that Iran, in the words of a senior U.S. official, is expanding its nuclear program as “leverage to get a better deal”, the Biden administration is preparing to strengthen its own hand.\footnote{Robert Malley, quoted in Adam Pourahmadi, “US special envoy for Iran warns of ‘escalating crisis’ if talks fail to revive Iran nuclear deal”, CNN, 21 December 2021.}

It could, for example, move to something like “maximum pressure 2.0”, applied multilaterally instead of unilaterally and aimed at narrower objectives than the Trump administration’s sweeping demands. Washington has set itself up for this approach by signalling more assertive enforcement of its existing sanctions.\footnote{Norman, “U.S. moves to tighten Iran sanctions enforcement as nuclear talks stall”, op. cit.} The next phase, which could arrive in late January, would see the E3 snapping back UN sanctions, followed by reimposition of the EU’s own multilateral sanctions, joined by the UK.\footnote{Crisis Group interviews, U.S. and European officials, Washington and Vienna, December 2021.}

While Russia and China would probably oppose such a move at the UN Security Council, and could well contest or ignore any use of the mechanism with which they disagree, they would be unable to stop it. Thus, the West could very well deliver a psychological shock to the Iranian market.\footnote{It will take 30 days for the UN sanctions to be restored. For background on the “snapback” mechanism for UN sanctions, see Crisis Group Report, Iran: The U.S. Brings Maximum Pressure to the UN, op. cit. Diplomats suggest that the Trump administration’s effort to snap back the sanctions in 2020, even after the U.S. had left the JCPOA, called the integrity of the mechanism into doubt. The Biden administration has reversed the U.S. government’s position with respect to the snapback having been triggered, but that has not fully repaired the damage. UN Security Council members expressed doubt that the snapback process could be seamless. “The Trump administration shattered the sanctity of the automatic snapback. Now everything is debatable”, said a European diplomat. Crisis Group interview, New York, September 2021. See also “Iran currency falls as nuclear talks seem to hit roadblock”, Reuters, 4 December 2021.} Some in Iran nevertheless dismiss the economic and political impact of such measures and say snapback would push Tehran to withdraw from the JCPOA and Nuclear Non-Proliferation Treaty altogether.\footnote{“If they think snapback gives them leverage, they should wait until we move the basis of the negotiations from the JCPOA to the NPT”, said an adviser to the Supreme Leader. Crisis Group interview, Tehran, September 2021.}

An alternative Plan B option would be an interim agreement that would avoid a dangerous escalatory cycle through an arrangement that amounts to a JCPOA-minus, in which Iran agrees to freeze some of its most proliferation-sensitive activities (eg, enrichment above 3.67 per cent, advanced centrifuge work and uranium metal production) in return for an agreed-upon level of oil exports and/or partial access to its frozen assets.\footnote{Crisis Group first proposed such an interim agreement in January 2021. See Crisis Group Report, The Iran Nuclear Deal at Five, op. cit.} A freeze would cap the immediate non-proliferation crisis, give Iran an economic reprieve and buy time for the parties to negotiate parameters of a more-for-more deal, a JCPOA-plus, that addresses their broader demands.
In the past few months, however, opposition to such an arrangement has grown in Tehran and Washington. Some in Iran fear that the West is seeking to deprive Iran of its key nuclear assets in return for meagre economic relief.¹⁸³ In a mirror image, Israel and some JCPOA critics in the U.S. fret that an interim deal that imposes fewer constraints on Iran’s nuclear program could become permanent.¹⁸⁴ Even so, as far as a possible Plan B, this option should be the fallback of first choice in the event that JCPOA talks collapse.

B. Plan A: To the Rescue

With Plan B options ranging from unachievable to unattractive and calamitous, both sides should demonstrate more flexibility to save Plan A: returning to mutual compliance with the JCPOA. But they can succeed only if the pace of diplomacy increases or that of Iran’s nuclear advancements diminishes, or ideally both happen, in the course of the next few weeks. Resolving the outstanding disagreements in Vienna requires both the U.S. and Iran to come to terms with inconvenient truths.

First, as the party primarily responsible for the JCPOA’s beleaguered state, the U.S. has to go the extra mile in ensuring that the Iranian people can reap the deal’s promised dividends. It should accept that while the one-year breakout time that was such an important metric for the JCPOA when first negotiated is likely no longer attainable, a slightly shorter one would be much preferable to a breakout time of days or the attainment of an actual weapon that Iran could achieve without a deal.

Secondly, Iran should accept that if it wants a deal that delivers deeper and more sustainable sanctions relief, the solution lies in a successor follow-on agreement, for which the JCPOA is the best foundation. Here the promise of such an agreement is not so much in the notion of political or even legal guarantees – which a future U.S. administration can repudiate – but in building up a process of constructive engagement that narrows the divide on other bilateral differences and makes a one-sided defection less appealing and costlier. The U.S. Congress’s 2015 Iran Nuclear Agreement Review Act, which requires renewed congressional scrutiny in case of any changes to the JCPOA, makes it improbable that the Biden administration would agree to any terms beyond the original deal.¹⁸⁵

Politically, both sides will pay a price for compromise, as hardliners within their respective systems paint them as feckless. But that price only increases with time, if the Biden administration loses its narrow majority in Congress in the 2022 mid-

¹⁸³ “Iran says all sanctions must be removed verifiably, rejects ‘interim deal’”, Iran Daily, 26 November 2021. A senior U.S. official asserted: “If Iran’s nuclear program advances, the option of a cap-for-relief becomes appealing – if it’s available. But it may not be something that’s necessarily viable; the Europeans are sceptical; and the Israelis hate it”. Crisis Group interview, Washington, 24 November 2021.
¹⁸⁴ Crisis Group interviews, Israeli officials, Washington, November 2021. See also Lahav Harkov, “Israel ‘very concerned’ as US, Iran return to nuclear talks – Bennett”, Jerusalem Post, 28 November 2021.
¹⁸⁵ Public Law 114–17, Federal Register, 22 May 2015.
term elections and as the 2024 presidential election approaches – and as the Raisi administration likely faces deeper economic troubles.\footnote{A prominent economist said: “The positive economic growth of the last eighteen months is welcome news for the Raisi administration, but it may not be easy to repeat if sanctions are not lifted. After several of years of austerity – and more planned for next year – domestic demand is too weak to sustain growth rates above 2-3 per cent per year. And without access to foreign markets, Iranian producers cannot take advantage of the highly devalued rial to sell abroad”. Crisis Group virtual interview, Djavad Salehi-Isfahani, professor of economics, Virginia Tech University, 28 December 2021.}

If both sides demonstrate flexibility and pragmatism, the remaining disagreements are not insurmountable. While neither side will get everything it wants, a reasonable amount of give on the following issues could still allow each party to reach a deal that protects its core interests:

1. **Guarantees**

Even in 2016, with the Obama administration proactively supporting the nuclear deal, sanctions relief fell short of Tehran’s (at times overinflated) expectations, partly because international banks and private firms uncertain over the JCPOA’s durability stayed away from the Iranian market, and partly because of structural shortcomings in the Iranian economy that make it an unattractive place to do business.\footnote{A senior U.S. official said: “The JCPOA’s guarantee was in the form of mutually assured pain – that if either party violated the deal, the other would restore its leverage. The past few years have proved that the mechanism worked”. Crisis Group interview, Washington, 24 November 2021.} Now, with the U.S. already having worked aggressively to undermine the deal during the Trump administration, including by snapping back U.S. sanctions, Tehran is wholly justified in its concerns about whether the normalisation of trade and economic relations that the JCPOA promised would be fulfilled.

There is a limit, however, to what is possible under the JCPOA, which was negotiated as a non-binding political understanding.\footnote{As Trump demonstrated, even treaties, which require approval by an absolute majority in the U.S. Senate, can be revoked with a stroke of a pen. Zachary Wolf and JoElla Carman, “Here are all the treaties and agreements Trump has abandoned”, CNN, 1 February 2019.} Even if it were binding under law, there is no legal guarantee any U.S. administration can offer that it or a successor could not later revoke. But Washington can and should offer a degree of predictability to firms considering a return to the Iranian market.\footnote{Too few appreciate that the U.S. has now proven it cannot deliver sustainable sanctions relief. For example, a U.S. official said: “If we do a lot of hand holding for one economic sector to reassure them that they can conduct business as usual with Iran, we will have to do it for every sector, which is neither possible nor practical”. Crisis Group interview, Washington, 13 October 2021. But the chilling effect of sanctions will not dissipate on its own. A Biden administration review of U.S. sanctions policy also overlooked the impediments to effective sanctions relief. “US Department of the Treasury Releases Sanctions Review”, U.S. Treasury Department, 18 October 2021. In 2013, Crisis Group wrote: “Ultimately, sanctions as a tool of coercive diplomacy are only as effective as the prospect of relieving them in exchange for policy shifts is real; the measure of efficacy lies in what can be ob-
These assurances could take two forms. First, the U.S. Treasury Department could issue comfort letters to a mutually agreed-upon list of international banks and companies, which would be valid for the remainder of a Democratic administration’s time in office and would offer assurance that firms will not be penalised for engaging in legitimate trade with Iran. These would be subject to the IAEA’s continued verification that Iran is in full compliance with its nuclear commitments.191

Secondly, there are ways of providing Iran with an insurance policy in the form of preserving, at arm’s length, some of its nuclear assets. One example is to place Iran’s excess enriched uranium stockpile in escrow in Russia, instead of exchanging it for yellowcake as was done in 2015, so that it could be repatriated to Iran in case of another U.S. exit from the deal.192 The parties could also consider a UN Security Council resolution requiring the UN secretary-general to semi-annually report on the status of JCPOA-related sanctions relief so that U.S. commitments are subject to international oversight as well. A successor follow-on agreement should include both more stringent conditions for withdrawal and higher costs for the party at fault. The parties should consider ideas along these lines: an exit clause requiring one or two years of advance notice before a withdrawal without cause takes effect; a better adjudication process than the JCPOA’s Joint Commission, in which the majority is with the West; and design of international legal mechanisms that could help Iran obtain compensation in case of future unilateral U.S. breaches.

Under this approach, it is Washington’s responsibility to do the heavy lifting in providing assurances to international firms, but Europe has responsibilities as well.193 Neither the EU’s use of a blocking statute to penalise companies for complying with U.S. secondary sanctions nor the creation of INSTEX, aimed at safeguarding non-sanctionable humanitarian trade with Iran, bore fruit.194 In the JCPOA talks, the EU
should offer additional incentives to both its own private sector and Iran as an inducement to increase trade.

To positively affect European companies’ cost-benefit calculus, European governments should offer tax breaks to companies that operate in the Iranian market—and thus advance Europe’s security interests; they should also set up a trade bank for supporting and financing relevant transactions. As part of their commitments to support developing countries in combating climate change, the E3 should dedicate substantial funds to transferring green technology to Iran, especially to help Iran in reducing its flaring of natural gas. In the long run, the EU should double down on efforts to revise the blocking statute and adopt a recent proposal on an anti-coercion instrument to protect European trade with Iran should the U.S. again seek to abrogate the deal unilaterally.

2. Scope of sanctions relief

While Iran should not expect a narrow agreement on its nuclear program to bar the U.S. altogether from using sanctions related to other areas of disagreement, Washington should show more flexibility in relaxing sanctions on Iran. One example is the Trump-era sanctions on conventional arms sales to and purchases from Iran, enacted under Executive Order 13949. Washington has other sanctions that restrain Iran’s ability to provide arms to its regional partners, including UN embargoes on transfers to the Huthis and Hizbollah. But maintaining the Trump-era conventional arms sanctions symbolises Washington’s propensity to make a concession with one hand (withdrawing Trump’s failed UN sanctions snapback) and negate it with the other (applying national sanctions).


196 An EU official explained: “The amendments to the blocking statutes are aimed at streamlining the regulation to make life easier for European operators and proposing counter-measures against the state that imposes secondary sanctions”. Crisis Group interview, Brussels, 7 December 2021. The anti-coercion instrument needs to be adopted by the European parliament and EU Council member states. “Regulation of the European Parliament and the Council on the Protection of the Union and Its Member States from Economic Coercion by Third Countries”, European Commission, 8 December 2021. “The two instruments can also be triggered in parallel”, an EU official said. “This is an expression of the EU’s striving for strategic autonomy, by using the one dimension in which it has real power: the economy”. Crisis Group interview, Brussels, 7 December 2021.

197 As Rouhani said in his exit interview: “Our expectations don’t match our negotiations. If we limit the negotiations to the nuclear issue, we have to accept the limited outcome in terms of sanctions relief”. See “Hassan Rouhani’s last interview”, video, YouTube, 2 August 2021 (Persian).
As a policy matter, the argument for rescinding Executive Order 13949 would be that lifting a restraint on conventional weapons is an acceptable trade-off if it helps restrain Iran in acquiring unconventional weapons. To mitigate domestic criticism, after rescinding Trump’s order, the administration could announce that it will reverse these measures if Iranian missiles or Iran-backed militias in the region kill U.S. personnel; it can also step up cooperation with regional allies on interdiction and intelligence sharing.\footnote{Iran took a similar approach when the UN Security Council adopted Resolution 2231, which it helped draft. Iran’s foreign ministry issued a statement noting that it would not comply with the resolution’s restrictive measures on the country’s ballistic missile program. “Foreign Ministry statement after UNSCR 2231’s passage”, Press TV, 20 July 2015 (Persian).}

The parties should also steer clear of certain demands that would likely be poison pills. For its part, the U.S. should refrain from conditioning the lifting of sanctions on an Iranian pledge to enter follow-on negotiations for a longer and stronger deal. From its side, Tehran should not insist that the West commit to discussing compensation for damage inflicted on Iran by Trump’s “maximum pressure” policy.

3. **Nuclear measures**

Having acquired irreversible knowledge about advanced centrifuges, Iran should feel more confident in rolling back its nuclear program in a manner fully consistent with the JCPOA’s provisions. That means Tehran should agree not just to dismantle centrifuges that exceed the deal’s limits, but also to mothball the infrastructure and assembly lines for advanced machines, as well as to bring uranium stockpiles back to prescribed quantities and rates of enrichment. Tehran should swiftly respond to the IAEA’s unanswered questions regarding unreported traces of nuclear material found at four different sites in Iran. Tehran should allow the agency access commensurate with its monitoring and verification mandate. Finally, if Tehran wants the IAEA to condemn what it alleges to be acts of sabotage at its nuclear facilities, it should permit the agency to inspect the sites immediately after the incidents occur.

4. **Sequencing**

In 2016, Iran received sanctions relief only after the IAEA verified that it had fully delivered on its nuclear commitments. This time around, as the legitimate price for Trump’s JCPOA withdrawal, Washington should take the first step. The U.S. should front-load some sanctions relief, allowing Iran time to assess the effectiveness of measures that are broadly verifiable.

It is, however, unrealistic for Iran to expect unilateral relief while it is rapidly expanding its nuclear program. As such, the parties should agree to a staggered process in which the U.S. loosens restrictions on Iran’s ability to export oil, with all the associated services (from shipping to banking), and to get at its frozen assets. In return, Iran should, in conjunction, freeze its enrichment above 3.67 per cent and its installation of any additional advanced centrifuges, halt uranium metal production and...
restore compliance with the Additional Protocol. These steps would defuse the immediate non-proliferation crisis.

Once Iran verifies that it can export its oil, repatriate the revenue and gain access to its assets abroad, which should not take more than two weeks, the parties could move into the next stage(s) of additional sanctions relief by the U.S., followed by Iranian steps to, inter alia, ship out excess fissile material and dismantle centrifuges. So far, Tehran has been vague about what it means by verification, but it should not attach specific thresholds to sales and revenue repatriation, as some in Iran have suggested, since its return to the global oil market is a function of supply-and-demand dynamics. Moreover, as long as Iran remains on the FATF blacklist, there will be legal impediments to its repatriation of large chunks of its assets. As such, the parties should view verification as satisfied if Iran has the ability to engage in these activities without sanctions-related impediments.

5. Complementary measures

Outside the nuclear talks, the P5+1 should encourage dialogue between Iran and its Arab neighbours. UN Secretary-General António Guterres or a core group of European states should throw their weight behind a regional dialogue initiative bringing together Iran, Iraq and their six Gulf neighbours – Saudi Arabia, the UAE, Qatar, Oman, Kuwait and Bahrain – to discuss confidence-building measures that could lead to a sustainable cooperative security arrangement in the Gulf region. The West should also cooperate with Iran on issues of common interest, such as Afghan refugees, anti-narcotics operations or combating the COVID-19 pandemic.

For its part, Tehran must engage substantively on the fate of detainees with dual Iranian and Western citizenship. Progress on that front, along with a gesture toward giving Iran enhanced resources for COVID-19 vaccines, could usher in a more positive atmosphere. Washington should also ensure that Iran’s access to humanitarian trade is unimpeded, regardless of the JCPOA’s fate.

---

199 These Iranian gestures will make front-loading sanctions relief more politically palatable for the Biden administration and will keep Tehran from triggering the Iran Nuclear Agreement Review Act, which requires the U.S. president to report Iranian breaches of its JCPOA obligations within ten days.

200 A report by the Iranian parliament’s research centre set, inter alia, 2.5 million barrels per day of oil exports and $4.2 billion in monthly transactions at the Europäisch-Iranische Handelsbank in Germany as an acceptable threshold for Iran. “Verification of Sanctions Relief: Key Pillars and Practical Aspects”, Iranian Parliament’s Research Centre, 18 September 2021 (Persian). See also Maziar Motamedi, “Iran’s FATF debate heats up as nuclear deal remains in limbo”, Al Jazeera, 3 March 2021.

201 For more on this subject, see Crisis Group Middle East Report N°212, The Middle East between Collective Security and Collective Breakdown, 27 April 2020.

202 “Scale up support to Iran to safeguard fleeing Afghans, says UNHCR’s Grandi”, press release, UN High Commissioner for Refugees, 21 December 2021.

V. Conclusion

There is no guarantee that such an approach will succeed in reinvigorating the JCPOA. Iran might be determined to acquire a nuclear bomb for a variety of reasons. Not the least of these might be its assessment of the contrasting fate of various leaders whose proliferation activities were a concern to Washington. The U.S. overthrew Saddam Hussein on the premise that he was developing weapons of mass destruction, even though the UN had assessed that Iraq was no longer engaged in nuclear weapons-related activities; the North Atlantic Treaty Organization attacked Muammar Qadhafi’s regime in Libya even after it had relinquished its nuclear program; the Trump administration pursued a policy bordering on regime change in Iran while it treated nuclear-armed North Korea with a certain level of deference. For all the isolation and economic problems that Pyongyang has brought upon itself, nuclear weaponry has been an insurance policy against regime change, and Iran’s leadership may find that sufficiently attractive to bear the costs.

But alarmism should not replace reason. Having the capability to build a nuclear weapon, which Iran is approaching, does not equate to having one, or even necessarily moving further toward one. The breakout time, which is an artificial concept, might be a useful yardstick for measuring the distance between a country’s civilian and potential military nuclear capabilities, but it should not be a casus belli. Neither U.S. nor Israeli intelligence agencies observe evidence of an Iranian decision to build a bomb, and even if Tehran resolves to do so, it will likely need more than a year to fashion fissile material into a warhead, wed it to a delivery system and conduct a test. For its part, Iran has made it clear that it has no intention, at least for now, to enrich uranium to 90 per cent purity even if the JCPOA talks fail. Iran’s nuclear latency would clearly carry risks, but so, too, would pre-emptive strikes, which could well provoke a wider escalation.

Fortunately, the worst-case scenario for Washington and Tehran is far from inevitable. Biden’s preference for avoiding military entanglements through diplomacy counsel for the kind of flexible and pragmatic approach that will be required to make a deal, even if some members of Congress will almost certainly make the politics of deal-making difficult for him. Meanwhile, his Iranian counterpart Raisi, whose hardline cohorts now control all the levers of power in Iran, faces less internal resistance than the more moderate Rouhani administration did. He should not let the perfect be the enemy of the good.

---

204 A senior Russian official said: “The best guarantee that Iran won’t be able to develop nuclear weapons is the Additional Protocol. No country has ever been able to do so with the monitoring that the protocol puts in place. Plus, it is forever and has no exit clause”. Crisis Group interview, Vienna, 10 December 2021.

205 Iran has not conducted “key nuclear weapons-development activities that … would be necessary to produce a nuclear device”. “Worldwide Threat Assessment”, U.S. Director for National Intelligence, 9 April 2021. See also Ahronheim, “Iran not getting the bomb any time soon – military intelligence head”, op. cit.

206 “Iran atomic chief claims country won’t enrich uranium over 60% if nuclear talks fail”, Times of Israel, 25 December 2021.

207 A former conservative member of the Iranian parliament wrote: “We’re happy that if there is a deal this time, no missiles will be fired, no one will burn the agreement, no one will call it fatally
Six years after the JCPOA came into effect, more time has been spent scrambling to salvage it than fulfilling its terms. That it remains the frame of reference for international negotiations despite the near-collapse of its core bargain – nuclear restrictions in exchange for sanctions relief – highlights two more truths. For the U.S. and the other P5+1 signatories, no better alternative exists for advancing their non-proliferation interests; for Iran, no better alternative exists if it seeks the economic benefits of normalised trade and the diplomatic dividends of constructive engagement.

The shift in regional attitudes toward the JCPOA underscores a recognition that whatever its perceived flaws in 2015, the downsides of its collapse are even more troubling. Arab Gulf states and Israel have myriad areas of disagreement with Iran beyond the non-proliferation file, but purely coercive strategies and zero-sum attitudes have mitigated none of these, while the nuclear threat has only mounted. A growing chorus of Israeli national security experts now view the U.S. withdrawal from the JCPOA as a strategic own-goal. Riyadh and Abu Dhabi support the deal’s restoration as a basis for wider economic and political engagement. These changes of heart may not help revive the deal, but they certainly point to what would be lost with failure.208

Some realities are too easily dismissed. In Tehran, bullishness regarding the government’s ability to muddle through financially, dismissiveness of the diplomatic isolation it would almost certainly face if talks falter, and underestimation of the West’s willingness to counter, including with force, further nuclear or regional provocations are tempting the hardliners to overplay their hand. For the U.S. and Europe, talk of more concerted political, diplomatic and economic pressure ought not to serve as a pretext for avoiding the difficult compromises and creative thinking needed for Plan A to succeed, nor for downplaying the risks and downsides of Plan B options.

The experience of past years has taught us what to expect in the event of the JCPOA’s demise. That scenario would combine the most acute concerns of an escalating non-proliferation crisis with the combustibility of a simmering regional crisis and the uncertainty of a deepening economic crisis for Iran. Squandering this last chance to keep the deal alive would, in other words, likely spell disaster.

Tehran/Washington/Brussels, 17 January 2022

---

208 See, for example, Raviv Drucker, “No one had thought about how we would stop Iran after the withdrawal from the deal”, Haaretz, 9 November 2021; and “The Iran deal was a mistake. Withdrawing from it was even worse”, Haaretz, 21 November 2021. See also Jacob Magid, “He led IDF intel gathering on Iran, was ignored and fears Israel is now paying price”, Times of Israel, 30 November 2021.
Appendix A: Map of Iran’s Nuclear Installations

1. Karaj Agricultural & Medical Center
2. Tehran Research Reactor
3. Fordow Fuel Enrichment Plant
4. Arak Heavy-Water Reactor
5. Isfahan Nuclear Research Center
6. Isfahan Uranium Conversion Facility
7. Fuel Manufacturing Plant
8. Natanz Fuel Enrichment Plant
9. Saghand Mine
10. Yellow Cake Production Plant
11. Darkhovin Nuclear Power Plant
12. Bushehr Nuclear Power Plant
13. Gchine Mine

*Based on UN Map No. 3891 Rev. 1 (January 2004). Boundaries, names and the designations used do not imply official endorsement or acceptance by the UN or Crisis Group.*
Appendix B: Iran’s Enriched Uranium Stockpile

Source: International Atomic Energy Agency
Appendix C: Iran’s Installed Advanced Centrifuges

Source: International Atomic Energy Agency
Appendix D: Timeline of Key Developments (2018-2021)

May 2018
Trump withdraws the U.S. from the JCPOA.

May 2019
Iran starts to incrementally curb its nuclear commitments.

July 2019
Iran begins enriching uranium beyond JCPOA limits, up to 4.5 per cent, and exceeds the 300kg limit of its UF6 low-enriched uranium stockpile.

September 2019
Iran starts lifting all limitations on research and development, including by activating advanced centrifuges and introducing new models.

November 2019
Iran resumes uranium enrichment at the Fordow plant and exceeds the JCPOA’s 130-metric ton threshold on its heavy-water stockpile.

January 2020
The U.S. kills General Qassem Soleimani, IRGC-Qods Force commander, in Iraq.

January 2020
Iran announces it will cease observing JCPOA limits on centrifuge quantities, highlighting that its “nuclear program will no longer be subject to any restrictions in the operational sphere”.

June 2020
The IAEA Board of Governors adopts a resolution urging “Iran to fully cooperate with the Agency” regarding traces of uranium found at undeclared locations.

July 2020
A sabotage incident at the Natanz fuel enrichment plant causes “significant damage”. Iran announces plans to transfer more powerful centrifuges to the site.

October 2020
UN conventional arms restrictions on Iran expire per UNSC Resolution 2231.

October 2020
Iran starts building an underground centrifuge assembly plant at Natanz.

November 2020
Joe Biden is elected president of the U.S.

November 2020
Mohsen Fakhrizadeh, a senior Iranian nuclear scientist, is killed in Iran, allegedly by Israel.

December 2020
The Iranian parliament passes legislation entitled “Strategic Action to Lift Sanctions”, mandating major nuclear advancements.

January 2021
Iran begins to enrich uranium to the 20 per cent U-235 level at the Fordow plant.

February 2021
Iran produces uranium metal.

February 2021
Iran suspends its voluntary implementation of the Additional Protocol to the Nuclear Non-Proliferation Treaty. In its place, it agrees to a temporary technical understanding with the IAEA.

April 2021
The first round of nuclear talks kicks off in Vienna, with the U.S. participating indirectly.

April 2021
A sabotage attack at the Natanz enrichment facility, which Iran describes as “nuclear terrorism” and attributes to Israel, damages a number of centrifuges.

April 2021
Iran begins enriching uranium up to 60 per cent U-235 at Natanz, using advanced IR-4 and IR-6 centrifuges.

May 2021
Iraq confirms having hosted talks between Iran and Saudi Arabia.

June 2021
Ebrahim Raisi is elected as Iran’s eighth president.

June 2021
IAEA surveillance cameras at the TESA Karaj complex are damaged in an alleged Israeli sabotage operation. Iran refuses to replace the cameras while investigating the incident.

June 2021
Nuclear negotiations adjourn after six rounds of talks in Vienna.

July 2021
Drone attacks, attributed to Iran, kill two on MT Mercer Street, a commercial vessel sailing off the coast of Oman.

July 2021
Iran begins producing uranium metal enriched to 20 per cent.

October 2021
The U.S. garrison at Al-Tanf in eastern Syria is attacked by drones.

November 2021
Nuclear talks resume in Vienna after a five-month hiatus and continue in January 2022.

November 2021
Iran starts enriching uranium to 20 per cent at Fordow, using IR-6 machines.

December 2021
Iran and the IAEA agree to install new cameras at the TESA Karaj complex.
Appendix E: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group’s approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes CrisisWatch, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 80 situations of conflict or potential conflict around the world.

Crisis Group’s reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is co-chaired by President & CEO of the Fiore Group and Founder of the Radcliffe Foundation, Frank Giustra, as well as by former Foreign Minister of Argentina and Chef de Cabinet to the United Nations Secretary-General, Susana Malcorra.

Comfort Ero was appointed Crisis Group’s President & CEO in December 2021. Ero first joined Crisis Group as West Africa Project Director in 2001 and later rose to become Africa Program Director and Interim Vice President. In between her two tenures at Crisis Group, she worked for the International Centre for Transitional Justice and the Special Representative of the Secretary-General, UN Mission in Liberia.

Crisis Group’s international headquarters is in Brussels, and the organisation has offices in seven other locations: Bogotá, Dakar, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Addis Ababa, Bahrain, Baku, Bangkok, Beirut, Caracas, Gaza City, Guatemala City, Jerusalem, Johannesburg, Juba, Kabul, Manilla, Mexico City, Moscow, Seoul, Tbilisi,Tripoli, Tunis, and Yangon.


January 2022
Appendix F: Reports and Briefings on the Middle East and North Africa since 2019

<table>
<thead>
<tr>
<th>Special Reports and Briefings</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Council of Despair? The Fragmentation of UN Diplomacy, Special Briefing N°1, 30 April</td>
<td>Women and Children First: Repatriating the Westerners Affiliated with ISIS, Middle East Report N°208, 18 November 2019</td>
</tr>
<tr>
<td>Seven Opportunities for the UN in 2019-2020, Special Briefing N°2, 12 September 2019</td>
<td>Ways out of Europe’s Syria Reconstruction Conundrum, Middle East Report N°209, 25 November 2019 (also available in Arabic and Russian).</td>
</tr>
<tr>
<td>Seven Priorities for the New EU High Representative, Special Briefing N°3, 12 December 2019</td>
<td>Steadying the New Status Quo in Syria’s North East, Middle East Briefing N°72, 27 November 2019 (also available in Arabic).</td>
</tr>
<tr>
<td>COVID-19 and Conflict: Seven Trends to Watch, Special Briefing N°4, 24 March 2020 (also available in French and Spanish)</td>
<td>Easing Syrian Refugees’ Plight in Lebanon, Middle East Report N°211, 13 February 2020 (also available in Arabic).</td>
</tr>
<tr>
<td>A Course Correction for the Women, Peace and Security Agenda, Special Briefing N°5, 9 December 2020</td>
<td>Silencing the Guns in Syria’s Idlib, Middle East Report N°213, 15 May 2020 (also available in Arabic).</td>
</tr>
<tr>
<td>Ten Challenges for the UN in 2021-2022, Special Briefing N°6, 13 September 2021</td>
<td>Pulling Lebanon out of the Pit, Middle East Report N°214, 8 June 2020 (also available in Arabic).</td>
</tr>
<tr>
<td></td>
<td>Exiles in Their Own Country: Dealing with Displacement in Post-ISIS Iraq, Middle East Briefing N°79, 19 October 2020 (also available in Arabic).</td>
</tr>
<tr>
<td></td>
<td>How Europe Can Help Lebanon Overcome Its Economic Implosion, Middle East Report N°219, 30 October 2020 (also available in Arabic).</td>
</tr>
<tr>
<td></td>
<td>Avoiding Further Polarisation in Lebanon, Middle East Briefing N°81, 10 November 2020 (also available in Arabic).</td>
</tr>
<tr>
<td></td>
<td>Iraq’s Tishreen Uprising: From Barricades to Ballot Box, Middle East Report N°223, 26 July 2021 (also available in Arabic).</td>
</tr>
<tr>
<td>Israel/Palestine</td>
<td>Managing Lebanon’s Compounding Crises, Middle East Report N°228, 28 October 2021 (also available in Arabic).</td>
</tr>
<tr>
<td>Defusing the Crisis at Jerusalem’s Gate of Mercy, Middle East Briefing N°67, 3 April 2019</td>
<td>Syria: Shoring Up Raqqa’s Shaky Recovery, Middle East Report N°229, 18 November 2021 (also available in Arabic).</td>
</tr>
<tr>
<td>(also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td>Reversing Israel’s Deepening Annexation of Occupied East Jerusalem, Middle East Report N°202, 12 June 2019</td>
<td></td>
</tr>
<tr>
<td>The Gaza Strip and COVID-19: Preparing for the Worst, Middle East Briefing N°75, 1 April 2020 (also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td>Gaza’s New Coronavirus Fears, Middle East Briefing N°78, 9 September 2020 (also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td>Beyond Business as Usual in Israel-Palestine, Middle East Report N°225, 10 August 2021 (also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Iraq/Syria/Lebanon</td>
<td></td>
</tr>
<tr>
<td>Lessons from the Syrian State’s Return to the South, Middle East Report N°196, 25 February 2019</td>
<td></td>
</tr>
<tr>
<td>The Best of Bad Options for Syria’s Idlib, Middle East Report N°197, 14 March 2019 (also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td>After Iraqi Kurdistan’s Thwarted Independence Bid, Middle East Report N°199, 27 March 2019 (also available in Arabic and Kurdish)</td>
<td></td>
</tr>
<tr>
<td>Squaring the Circles in Syria’s North East, Middle East Report N°204, 31 July 2019 (also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td>Iraq: Evading the Gathering Storm, Middle East Briefing N°70, 29 August 2019 (also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td>Averting an ISIS Resurgence in Iraq and Syria, Middle East Report N°207, 11 October 2019 (also available in Arabic)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>North Africa</td>
<td></td>
</tr>
<tr>
<td>Decentralisation in Tunisia: Consolidating Democracy without Weakening the State, Middle East and North Africa Report N°198, 26 March 2019 (only available in French).</td>
<td></td>
</tr>
<tr>
<td>Addressing the Rise of Libya’s Madkhali-Salafis, Middle East and North Africa Report N°200, 25 April 2019 (also available in Arabic).</td>
<td></td>
</tr>
<tr>
<td>Post-Bouteflika Algeria: Growing Protests, Signs of Repression, Middle East and North Africa Briefing N°68, 26 April 2019 (also available in French and Arabic).</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix G: International Crisis Group Board of Trustees

**PRESIDENT**  
Comfort Ero  
Former Crisis Group Vice Interim President and Africa Program Director

**CO-CHAIRS**  
Frank Giustra  
President & CEO, Fiore Group; Founder, Radcliffe Foundation  
Susana Malcorra  
Former Foreign Minister of Argentina

**OTHER TRUSTEES**  
Fola Adeola  
Founder and Chairman, FATE Foundation  
Hushang Ansary  
Chairman, Parman Capital Group LLC; Former Iranian Ambassador to the U.S. and Minister of Finance and Economic Affairs  
Gérard Araud  
Former Ambassador of France to the U.S.  
Carl Bildt  
Former Prime Minister and Foreign Minister of Sweden  
Maria Livanos Cattaui  
Former Secretary General of the International Chamber of Commerce  
Ahmed Charai  
Chairman and CEO of Global Media Holding and publisher of the Moroccan weekly L’Observateur  
Nathalie Delapalme  
Executive Director and Board Member at the Mo Ibrahim Foundation  
Alexander Downer  
Former Australian Foreign Minister and High Commissioner to the United Kingdom  
Sigmund Gabriel  
Former Minister of Foreign Affairs and Vice Chancellor of Germany  
Hu Shuli  
Editor-in-Chief of Caxin Media; Professor at Sun Yat-sen University  
Mo Ibrahim  
Founder and Chair, Mo Ibrahim Foundation; Founder, Celtel International  
Wadah Khanfar  
Co-Founder, Al Sharq Forum; former Director General, Al Jazeera Network  
Nasser al-Kidwa  
Chairman of the Yasser Arafat Foundation; Former UN Deputy Mediator on Syria  
Bert Koenders  
Former Dutch Minister of Foreign Affairs and Under-Secretary-General of the United Nations

Andrey Kortunov  
Director General of the Russian International Affairs Council  
Ivan Krastev  
Chairman of the Centre for Liberal Strategies (Sofia); Founding Board Member of European Council on Foreign Relations  
Tzipi Livni  
Former Foreign Minister and Vice Prime Minister of Israel  
Helge Lund  
Former Chief Executive BG Group (UK) and Statoil (Norway)  
Lord (Mark) Malloch-Brown  
Former UN Deputy Secretary-General and Administrator of the United Nations Development Programme  
William H. McRaven  
Retired U.S. Navy Admiral who served as 9th Commander of the U.S. Special Operations Command  
Shivshankar Menon  
Former Foreign Secretary of India; former National Security Adviser  
Naz Modirzadeh  
Director of the Harvard Law School Program on International Law and Armed Conflict  
Federica Mogherini  
Former High Representative of the European Union for Foreign Affairs and Security Policy  
Saad Mohseni  
Chairman and CEO of MOBY Group  
Ayo Obe  
Chair of the Board of the Gorée Institute (Senegal); Legal Practitioner (Nigeria)  
Meghan O’Sullivan  
Former U.S. Deputy National Security Adviser on Iraq and Afghanistan  
Kerry Propper  
Managing Partner of ATW Partners; Founder and Chairman of Chardan Capital  
Ahmed Rashid  
Author and Foreign Policy Journalist, Pakistan  
Ghassan Salamé  
Former UN Secretary-General’s Special Representative and Head of the UN Support Mission in Libya; Former Minister of Culture of Lebanon; Founding Dean of the Paris School of International Affairs, Sciences Po University  
Juan Manuel Santos Calderón  
Former President of Colombia; Nobel Peace Prize Laureate 2016

Ellen Johnson Sirleaf  
Former President of Liberia

Alexander Soros  
Deputy Chair of the Global Board, Open Society Foundations  
George Soros  
Founder, Open Society Foundations and Chair, Soros Fund Management  
Darian Swig  
Founder and President, Article 3 Advisors; Co-Founder and Board Chair, Article3.org  
Helle Thorning-Schmidt  
CEO of Save the Children International; former Prime Minister of Denmark  
Wang Jisi  
Member, Foreign Policy Advisory Committee of the Chinese Foreign Ministry; President, Institute of International and Strategic Studies, Peking University