



Iran: Push to Revive the Nuclear Deal, but Prepare for Worse Outcomes

The fate of the Joint Comprehensive Plan of Action (JCPOA), the 2015 deal placing limitations on Iran’s nuclear program in exchange for sanctions relief, looms large in the country’s relations with Europe. The three European parties to the accord – European Union (EU) member states France and Germany, as well as the UK – have helped keep it alive, if not exactly thriving, since the U.S. unilaterally withdrew in 2018 and Iran subsequently began breaching its own obligations. Since April, with the U.S. wishing to rejoin the pact, the EU has coordinated six rounds of indirect talks between Tehran and Washington through the three European parties plus Russia and China (the other two JCPOA parties). The negotiations yielded considerable progress toward Washington and Tehran resuming mutual compliance with the JCPOA, but they stalled in mid-June as Iran held an election and inaugurated a new president. The urgency of compromise is growing as Iran’s nuclear program continues to expand and become less transparent with Iran limiting UN inspectors’ access to nuclear sites, potentially rendering a return to the existing agreement meaningless. Should the JCPOA collapse, the

knock-on effects could hinder nascent efforts at de-escalating tensions in the Gulf and the wider Middle East.

The EU and its member states should:

- Support the JCPOA’s full restoration, including through proactive steps aimed at bringing Iran meaningful sanctions relief.
- Prepare contingency plans for the eventuality that JCPOA talks break down, including parameters for an interim arrangement to freeze mutual escalation, as well as a potential shift to “better-for-better” negotiations in which both sides gain benefits that go beyond the original agreement’s terms.
- Encourage efforts at regional dialogue, particularly between Iran and Gulf Arab states.
- Engage with Iranian authorities on Afghanistan, notably on areas of common interest, including helping refugees and interdicting narcotics.
- Explore opportunities for strengthening maritime security in the Gulf, including through military-to-military hotlines.

The Nuclear Deal: Heading for Revival or Ruin?

No issue on Iran’s foreign policy agenda is more consequential than the JCPOA, which has steadily unravelled since the Trump administration pulled out of it in 2018 and faces deeply

uncertain prospects of restoration. Although the Biden administration and the Iranian government agree in principle on the need to revive the accord, progress has been halting.

Beginning in early April, negotiators convened for six rounds of talks in Vienna, tackling the specifics of what the U.S. would offer in terms of sanctions relief, what Iran would do to reverse its breaches and in what order the parties would take these steps. Though significant gaps remained, a text was emerging when the sixth round of talks concluded on 20 June.

Since then, however, Iran, which had a presidential transition in August that completed a conservative takeover of all centres of elected and unelected power, has moved slowly to resume negotiations. Iranian officials indicate they plan to return to the table in the near future, but have not offered an exact timeframe. In the meantime, Iran has continued to expand its nuclear activity while limiting verification and monitoring by the International Atomic Energy Agency (IAEA). The U.S. sanctions architecture set up under President Donald Trump also remains substantially in place, with deleterious consequences for ordinary Iranians, especially women, who have seen their gains in employment, advances to senior management positions and promotions to leadership roles in multiple sectors reversed by the economic downturn. Exacerbated by the impact of the COVID-19 pandemic, these pressures have also reduced women's capacity to pursue legal reforms and protections. The impasse in negotiations is concerning, particularly as Iran's advances in nuclear capability risk making the JCPOA's restoration ineffective as a non-proliferation arrangement within a matter of weeks or, at best, months.

If and when the parties resume talks, there are three scenarios for how Tehran might

approach them. At one end of the spectrum, it may continue constructive deliberations based on the progress made in the previous six rounds; at the other, it may push for an altogether new negotiating paradigm that jettisons the JCPOA as a frame of reference. In between, and for now this scenario is most likely, it may enter the fresh talks with maximalist demands that could deepen the present impasse.

The JCPOA standoff occurs against the backdrop of a mixed bag of regional developments of significance to Tehran, as well as to its friends and adversaries. The most positive recent news is that Iraqi mediation has facilitated three confirmed rounds of talks between Iran and Saudi Arabia, a positive development that could help ease frictions between the long-time rivals. But success is far from assured, especially if relations between Washington and Tehran grow increasingly adversarial and reinforce a zero-sum contest in the region. As for more concerning developments, tensions between Iran and Israel are running high on several fronts, with tit-for-tat attacks, including covert operations against Iranian nuclear facilities and maritime intrigue that could rapidly escalate. In Afghanistan, the return of Taliban rule raises major strategic concerns for Iran, even as Tehran cautiously comes to terms with a government led by men who were once its bitter foes but with whom it has built better, if still uneasy, relations over the past decade. The UN refugee agency has warned that as many as half a million people could leave Afghanistan for neighbouring countries by the end of 2021, including an estimated 150,000 to Iran.

Brokering between Rivals

Wishing to avoid another destabilising crisis in the Middle East, Europe has a clear interest in seeing the JCPOA restored. But while the two central protagonists in such an effort are the U.S. and Iran, whose respective sanctions policy and nuclear program are the core issues

that must be addressed, the EU and its member states are not mere bystanders. European actors can contribute to diplomacy in two important ways.

The first will be relevant in the event of a revived agreement. In this scenario, the EU

should move swiftly to put in place measures to give Tehran an economic shot in the arm, including through EU lending institutions. Exploring avenues for such institutions to work with Iran could facilitate project financing and private-sector engagement.

In addition, the EU and member states can support the deal's long-term viability by shielding European trade with Iran from the risk that the U.S. again pulls out of the deal and reimposes unilateral economic sanctions. The impact of the Trump administration's "maximum pressure" strategy on Iran-EU trade was and remains substantial. Such trade dropped in value from around €20 billion per year after the JCPOA went into effect to just €5 billion in 2019 and 2020, thus nullifying much of the economic relief Tehran had expected in return for its JCPOA compliance. The dropoff in trade exposed the limits of efforts to retain private-sector interest in Iran, including through the Instrument of Support of Trade Exchanges to facilitate commerce notwithstanding the Trump administration's reimposition of economic sanctions, but it should not dissuade the EU from preparing further initiatives aimed at insulating legitimate Iran-EU commerce from a future U.S. withdrawal. Brussels could, for example, put in place a new and upgraded blocking statute (a law that shields EU companies from U.S. sanctions by prohibiting compliance as a legal matter) linked to the anti-coercion instrument that the EU plans to establish as part of its new trade strategy.

The second contribution that the EU and member states could make, particularly in the absence of direct U.S.-Iran talks, is to ready options for the parties in the event that JCPOA negotiations continue to sputter or break down altogether. For example, the Europeans could propose an interim agreement in which Tehran suspends some of its most proliferation-sensitive activities (eg, uranium enrichment above 3.67 per cent, advanced centrifuge work or uranium metal production) in return for limited relief from sanctions on oil sales and/or access to frozen assets. This temporary deal

might head off an escalatory spiral and buy time for a more comprehensive understanding. Such a JCPOA-minus arrangement could be a way station toward a JCPOA-plus pact. That sort of deal, in run, would put more substantial sanctions relief on the table in return for longer-term nuclear restrictions than Iran agreed to in the 2015 deal as well as more rigorous monitoring. By expanding the original agreement into a better-for-better framework, Western powers would secure stronger non-proliferation terms while Iran would reap larger economic benefits.

Beyond the JCPOA, the EU and member states can also help bolster diplomacy among the six Gulf Cooperation Council states, Iran and Iraq in locally led, internationally backed dialogue. European support can be particularly useful in facilitating discussions about certain areas of mutual concern to the parties, including public health and water scarcity. While the recent conference in Baghdad, in which most of Iraq's neighbours, including Iran, participated along with France, was a step in the right direction, an inclusive and focused sub-regional dialogue among states on both sides of the Gulf has a better chance of achieving regional de-escalation by opening regular channels of communication between officials of similar rank, brief and expertise.

The EU and member states should also work with Iran to develop a common approach to the humanitarian crisis in Afghanistan. The inclusion of Iran in the group of states the EU seeks to work with to address the spillover of the Afghanistan crisis, along with other neighbouring countries, is a positive step in this regard. Still, given the prospect of increased numbers of refugees crossing into Iran as they flee Taliban rule in the coming months, and with Iran still struggling to contend with the COVID-19 pandemic, Tehran will need all the help it can get from the EU and member states.

Finally, the EU should seek to prevent further deaths like those of a UK and a Romanian national in a July drone attack upon the *MT Mercer Street* tanker off Oman's coast, which the EU, U.S. and G7 have all determined bore

Iranian fingerprints. The nine European states participating in the European-Led Maritime Awareness in the Strait of Hormuz could increase coordination or merge with other international efforts, including the International Maritime Security Construct, a parallel naval operation established in 2019 with U.S. and UK participation alongside six other members, to make key shipping routes safer. If the participating states are transparent about their

intentions, Tehran need not see these measures as yet another way to exert pressure on Iran. Still, as a precaution, the European and other Western states should supplement the maritime security efforts with structured military-to-military communication with the Iranian side, including through a hotline that might be created to reduce the risk of miscalculation or misunderstanding that could lead to confrontation.