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## EU as a Peacebuilder

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# THE EU AND THE IRANIAN NUCLEAR PROGRAMME: IS VENUS WEAKER THAN MARS?

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***The article is focused on the role of the EU in resolving crisis around the Iranian nuclear programme. It covers the period starting from 2003, when the Iranian nuclear programme was revealed, and is divided into five stages of the involvement of European states in the Iranian crisis resolution. The fifth stage is still in process and demonstrates the EU attempts to save the Joint Comprehensive Plan of Action after the US withdrawal. One of the current mechanisms mentioned in this article is INSTEX, aimed at trading with Iran bypassing the US sanctions.***

## **Historical Steps in the Iran-EU Cooperation**

European countries established relations with the Islamic Republic only ten years after the 1979 Iranian Revolution, when Ayatollah Khomeini, the leader of the revolution, died and his successor, Ali Khamenei, started to build up better ties with the world. This led to the establishment of bilateral relations between most of the European capitals and Tehran.

Step by step, Europe became closely involved in cooperation with Iran, having strong interest in the Iranian gas and oil and suggesting a wide variety of goods to the Iranian markets. In the 1990s, the biggest push to the development of the relations between the EU and Iran was given by the policy of Iranian President Khatami, who declared a “dialogue of civilizations” as

one of the state’s policy pillars. Therefore, Khatami’s years were some of the most fruitful for building up the economic and cultural cooperation between Iran and the European states.

It also has not become a surprise that the role of the EU in crisis resolution around the so-called “Iranian nuclear dossier” has become one of the most relevant. In particular, this century is marked with the significant contrast between the US “hard-line” policy and the European flexible diplomatic approach. In this regard, the Iranian nuclear programme can be considered one of the best illustrations of this tendency. One of the main drivers of the European strategy towards Iran, before and after the nuclear crisis, was the desire to provide an alternative to the US approach, which was focused on isolating and containing the Iranian regime after the revolution. As the

EU bases its diplomacy towards Tehran on dialogue rather than coercion nowadays as well, this causes serious transatlantic tensions, similar to the 1990s and early 2000s.<sup>1</sup>

To some extent, it is possible to say that even the deterioration caused by the discovery (by the IAEA) of Iran's undeclared nuclear facilities did not have a direct impact on cooperation with Iran. Contrary to the US policymakers, who at once connected the Iranian nuclear programme with aggressive intentions of the state, the Europeans tried to use the maximum of their diplomatic influence to settle the problem peacefully and with minimum damage for all sides. In particular, there were the "Big Three" – the United Kingdom, France, and Germany – who took an active part in mediation between the US and Iran. To make the discussion more clear, we suggest dividing the crisis around the Iranian nuclear dossier into five stages.

The first stage lasted between 2003, when the Iranian nuclear activity was discovered, and 2005, when the Security Council started to adopt resolutions as to the Iranian nuclear case.


The second stage covers the time between 2005 and 2010, when the negotiations with Iran had a more or less stable character as to the relations with the P5+1 (the main negotiators on the Iranian nuclear dossier consist of the permanent members of the UN Security Council + Germany).

The third stage lasted between 2010 and 2015, when the EU imposed comprehensive sanctions on Iran and the negotiations on the Joint Comprehensive Plan of Action (JCPOA) ended with the nuclear deal.

The fourth stage covers 2015-2018, when the JCPOA came into force and then declined as a result of the US withdrawal.

Finally, we are in the fifth stage of the process, which shows the attempt of the EU to save the declining JCPOA, accompanied by the growing diplomatic pressure of Iran gradually stepping out the JCPOA.

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## **Stages of Cooperation**

The EU, represented by its "Big Three", played an indispensable role at all stages of the process.

Since 2003, when non-declared nuclear activity in Iran was discovered, the European states tried to keep the "Iranian dossier" under the International Atomic Energy Agency (IAEA) control, not letting it go to the UN Security Council. A number of the IAEA resolutions, issued in 2003-2004, pressured Iran to stop the uranium enrichment. These actions were combined with the joint negotiations of the United Kingdom, France, and Germany with Iran and resulted in reaching the Paris Agreement in November 2004. According to this deal, Iran suspended the uranium enrichment for an indefinite period of time. It was a time to keep the negotiations on with the Big Three to reach the "grand bargain" when Iran would abandon domestic uranium

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1 S. Shine, A. Catran, *Europe-Iran Relations One Year after the Sanctions Were Lifted*, Institute for National Security Studies, 16 January 2017 [<https://www.jstor.org/stable/resrep08353> access: 10 December 2019].

enrichment procedure in exchange for political, economic, and trade concessions from the EU.<sup>2</sup>

The Paris Agreement was supposed to sustain the suspension while negotiations on a long-term agreement were in progress; it was important for the continuation of the whole process. In the context of this suspension, the EU3/EU and Iran have agreed to begin negotiations, with a view to reaching a mutually acceptable agreement on long-term arrangements. The main concern was that having the ability to enrich uranium, Tehran could theoretically expand this procedure to be finally able to produce nuclear warheads. Meanwhile for Iran, the right to any nuclear activities within the right to peaceful nuclear use remained a national priority. Therefore, Tehran cancelled its enrichment moratorium in August 2005 when pro-national far-right President Ahmadinejad came to power.<sup>3</sup>

The second phase of the EU-Iranian relations was accompanied by an active inclusion of other negotiators such as Russia and the US, who looked at the Iranian issue from a completely different perspective. However, the inflexibility of the Iranian position over its nuclear programme in 2006 led to a certain convergence of the EU's position with that of the US, therefore having started the only period during which the EU and the US managed to work collaboratively on Iran. The joint dual-track policy started an era of a coherent diplomatic pressure

on Iran. In spite of the fact that the "Iranian nuclear dossier" was transferred to the UN Security Council, which adopted a number of resolutions forbidding Iran from continuing the uranium enrichment procedure and demanding it to stop other dual use nuclear activities (1696, 1737, 1747, 1803, etc.), the Europeans still tried to support initiatives that could combine both aims: to save the non-proliferation regime from the emerging nuclear power and to satisfy the Iranian national demands. In this regard, the EU3 first supported the Russian initiative on transferring the enrichment procedure to the Russian territory,<sup>4</sup> and when it failed, initiated the enriched uranium exchange deal between Iran, Brazil, and Turkey, which also ultimately failed.<sup>5</sup> We suggest that it happened because Iran never actually was going to make any concessions on its way to legalising the uranium enrichment on its national territory. The idea of strengthening its sovereignty and getting independent nuclear energy is tightly embedded in the Iranian strategic culture, as well as the deep distrust of the international environment, which throughout the history mostly worked against the national interests of Iran.<sup>6</sup> Thus, while agreeing to the options mentioned above, Iran just tried to gain some time for its uranium enrichment programme, thoroughly looking for the chance to avoid the suggested initiatives.

The third phase could be characterised by the decline of trust between Iran and the EU3, who finally joined the comprehensive US sanctions against Iran, including the

2 *Tehran Agrees to Nuclear Freeze*, "Guardian", 8 November 2004 [<https://www.theguardian.com/world/2004/nov/08/politics.eu> access: 21 December 2019].

3 B. Kaussler, *From Engagement to Containment: EU-Iran Relations and the Nuclear Programme, 1992-2011*, "Journal of Balkan and Near Eastern Studies", 14:1, 53-76, 20 March 2012 [<https://doi.org/10.1080/19448953.2012.656935> access: 27 December 2019].

4 L. Beehner, *Russia's Nuclear Deal with Iran*, Council on Foreign Relations, 28 February 2006 [<https://www.cfr.org/backgrounder/russias-nuclear-deal-iran>].

5 G. Tol, *The Turkey-Brazil-Iran Nuclear Deal: Another Missed Opportunity?*, Middle East Institute, 24 May 2010 [<https://www.mei.edu/publications/turkey-brazil-iran-nuclear-deal-another-missed-opportunity>].

6 V. A. Utgoff (ed.), *The Coming Crisis: Nuclear Proliferation, U.S. Interests, and World Order*, MIT Press: Cambridge, Mass. 2000, pp. 87-122.


embargo on oil and gas as well as precious metals, which remained the main sources of the national income for Iran. The Iranian state was switched off from the SWIFT system, which also caused great damage to the Iranian economy in general. As a result, Iran lost one quarter of its exports income at once, while the EU gained significant bargaining leverage in pushing Tehran towards the “grand bargain”.<sup>7</sup> It is considered that the serious economic decline that accompanied the state in 2013 had resulted in the presidential victory of Hassan Rouhani, whose main slogan was starting negotiations with the West over the Iranian nuclear programme. Moreover, Rouhani was famous as the main negotiator of the Paris Agreement of 2004.

At the end of this stage, both sides made mutual concessions, having signed the Joint Comprehensive Plan of Action (JCPOA) in 2015. In spite of the fact that the JCPOA could be considered a significant Iranian diplomacy victory (winning the right to uranium enrichment), the number of limitations imposed on Iran increased the break-out time (for Iran to become a nuclear state) and therefore served as the main security insurance for Europe and the world.

The fourth stage became known for two contradictory tendencies. On the one hand, sanctions were lifted from Iran. That was the right moment for the resumption of contacts, and signing agreements between European countries and Iran; many advanced European companies started to occupy Iranian markets. On the other hand, the decision of President Trump to withdraw from the JCPOA in 2018 put the Europeans in front of a hard choice: to break the transatlantic unity or to bury

the deal that brought some stability to the EU-Iranian relations. Historically, it seems logical that for the cooperation with Iran is more attractive for the EU than it is for the US, especially regarding economic issues. And, of course, the role of Donald Trump is quite crucial – his impulsive actions and the desire to undo the previous administration’s achievements play not the last role in the US decision. It was considered that the visit of President Macron to Washington, DC, in April 2018 was a bid to persuade President Trump to save the Iranian deal,<sup>8</sup> which Europe was greatly concerned about. Unfortunately, this plan failed due to Trump’s personal attitude towards Iran and it also showed one of the first cracks in the Euroatlantic unity, which later led to a more serious crisis.

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The fifth stage, which is currently developing, shows a clear tendency of the collapsing JCPOA with regard to the inability of the EU to save the deal in spite of the loud political statements of the European leaders that they would follow the deal. The reason is that the American sanctions imposed as the consequence of the US withdrawal from the deal had actually frozen the cooperation of the biggest European enterprises with Iran, as the US dollar is still the main currency of the international trade.

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7 S. Shine, A. Catran, *Europe-Iran Relations One Year after the Sanctions Were Lifted*, Institute for National Security Studies, 16 January 2017 [<https://www.jstor.org/stable/resrep08353> access: 10 December 2019].

8 *Can Macron’s White House Visit Save the Iran Deal?*, “Local News”, 22 April 2018 [<https://www.thelocal.fr/20180422/can-macrons-white-house-visit-save-the-iran-deal>].



The renewed US sanctions against Iran have damaged the Iranian economy. Iran's president has said that the US sanctions have cost Iran \$200 billion in lost foreign income and investment over the past two years. "Iran would have earned \$200 billion surplus income...if the country were not involved in an economic war," Hassan Rouhani said.<sup>9</sup> After the deal was implemented, Iran's economy bounced back and GDP grew 12.3%, according to the Central Bank of Iran. But much of that growth was connected with the oil and gas industry, and the recoveries of other sectors were not as significant as many Iranians had hoped.

Thus, after the US withdrawal from the deal, the reinstatement of the US sanctions in 2018 – particularly those imposed on the energy, shipping, and financial sectors – caused foreign investment to dry up and hit oil exports. Since the United States abandoned the deal in 2018, Iran has lost 90% of its oil exports, a key source of revenue. The result of the sanctions is obvious for the economy, as according to the International Fund, Iran's GDP contracted an estimated 4.8% in 2018.<sup>10</sup> The unemployment rate meanwhile rose from 14.5% in 2018 to 16.8% in 2019.<sup>11</sup> The US-Iran relations have become more complicated because of the recent strikes on Saudi oil facilities. The United States saw this as an "act of war" and blames Iran, although Tehran denies any role in the attacks that hit two of the kingdom's most important oil facilities.<sup>12</sup>

## INSTEX: Way out or Waste of Time?

Trying to fix the deal, the Europeans have developed a separate mechanism of trade with Iran, the so-called INSTEX, aimed at trading with Iran bybypassing the US sanctions. INSTEX was a creation of France, Germany, and the UK and was launched in January 2019. Recently six more European countries have joined the INSTEX mechanism – Belgium, Denmark, Finland, the Netherlands, Norway, and Sweden, which demonstrates European efforts to facilitate legitimate trade between Europe and Iran. For the time being, it is still not working, while Iran uses diplomacy of graduated pressure since June 2019, as its "strategic patience" is over: Each month it takes one more step of withdrawal from the JCPOA, threatening Europe that it would have to break the deal if the EU is not able to fix it. INSTEX cannot directly resist the Trump administration's "maximum pressure" campaign, nor can it fully deliver on the JCPOA's economic promises. However, given its focus on humanitarian trade, INSTEX can play an important role in securing Iran and the Iranian people.<sup>13</sup>

Several UN Security Council resolutions required Iran to cooperate fully with the IAEA's investigation of its nuclear activities, suspend its uranium enrichment programme, suspend its construction of a heavy-water reactor and related projects, and ratify the Additional Protocol<sup>14</sup> to its

9 Iranian President Says U.S. Sanctions Have Cost Country \$200 Billion, "Radio Free Europe / Radio Liberty", 31 December 2019 [https://www.rferl.org/a/iranian-president-says-us-sanctions-have-cost-country-200-billion/30354022.html access: 01 January 2020].

10 International Monetary Fund [https://www.imf.org/en/Countries/IRN].

11 Six Charts that Show How Hard US Sanctions Have Hit Iran, "BBC News", 9 December 2019 [https://www.bbc.com/news/world-middle-east-48119109 access: 01 January 2020].

12 Saudi Offers 'Proof' of Iran's Role in Oil Attack and Urges US Response, "Guardian", 18 September 2019 [https://www.theguardian.com/world/2019/sep/18/saudi-oil-attack-rouhani-dismisses-us-claims-of-iran-role-as-slander].

13 E. Batmanghelidj, S. Shah, *Protecting Europe-Iran Trade to Prevent War: A Provisional Assessment of INSTEX*, European Leadership Network, 27 June 2019 [https://www.europeanleadershipnetwork.org/wp-content/uploads/2019/06/ELNBB-INSTEX-June-27-2019-ADVANCE-COPY.pdf].

14 *Additional Protocol*, "Safeguards Legal Framework", IAEA [https://www.iaea.org/topics/additional-protocol].

IAEA safeguards agreement. Although the Additional Protocol is not obligatory for signing, it plays a crucial role, as it increases the agency's ability to investigate undeclared nuclear facilities and activities by increasing the IAEA's authority to inspect certain nuclear-related facilities and demand information from member states. Iran signed such a protocol in December 2003 and agreed to implement the agreement pending ratification; however, it never ratified it. There were high expectations that Tehran ratifies the Additional Protocol after the JCPOA was signed, but as Iranians are dragging their feet with ratification until the ultimate lift of sanctions, it has never been done.

Nevertheless, before July 2019, all official reports and statements from the United Nations, the European Union, the IAEA, and the non-US participating governments indicated that Iran has complied with the JCPOA and related UN SC Resolution 2231 requirements.<sup>15</sup>

Now, month by month, Iran publically announces the gradual stepping away from the basic JCPOA restrictions. In November 2019, a report from IAEA Acting Director General Cornel Feruța declared that Tehran has also started to conduct JCPOA-prohibited uranium enrichment, as well as research and development activities, at its enrichment facility located at Natanz.<sup>16</sup>

For now, the Iranian public behaviour should be seen not as a change of strategy, but as a consistent diplomatic pressure. Having become disappointed in the "reconciliation line" where its adherence to the JCPOA was never enough for saving the deal, Tehran has

gradually transferred from the "carrots" to the "sticks" diplomacy. It seems Iran warns everyone about its gradual violation of the agreement to receive something more crucial from European countries, trying to make Europe act even at the cost of worsening relations with the US.

## Conclusions

Summing up, let us say that the role of the EU has always been crucial to resolving the crisis around the Iranian nuclear programme. Retaining its comprehensive non-proliferation concern, the EU is still the "good cop" in its diplomatic pressure over Iran. It can be explained not only by the traditional reliance on soft power peculiar to the EU, but also by the close economic ties between the EU and Iran as well as certain geographic proximity, which account for the high interest of the EU states in stabilising the situation around Iran.

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***Retaining its comprehensive non-proliferation concern, the EU is still the "good cop" in its diplomatic pressure over Iran***

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However, the situation around the "Iranian nuclear dossier" shows that in spite of its important role in the international system, the EU cannot defend its interests on its own. The sanctions the US imposed on Iran, cutting it off from the main sources of income (such as the energy field), turned out to be impossible to overcome by the EU states. And the problem is not the lack of their

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15 *Verification and Monitoring in the Islamic Republic of Iran in Light of United Nations Security Council Resolution 2231 (2015)*, GOV/INF/2019/9, IAEA, 8 July 2019 [<https://www.iaea.org/sites/default/files/19/07/govinf2019-9.pdf>].

16 *Cornel Feruta, Acting Director General's Introductory Statement to the Board of Governors*, IAEA, 21 November 2019 [<https://www.iaea.org/newscenter/statements/introductory-statement-to-the-board-of-governors-21-november-2019>].

political will to preserve the JCPOA, which clearly and officially exists as the official EU policy towards Iran. The real problem is the inefficiency of economic mechanisms, which were not able to protect the EU citizens and big enterprises from abandoning trade relations with Iran due to the unbearable costs of the consequences of retaining the deal.

Therefore, lessons from the past and the present show that without the participation of the US, the EU is still not capable to influence Iran's behaviour in a way it has a potential to do. There are two kinds of news here: the good and the bad. The good news is that recently the EU approach has shown certain strategic autonomy from the US and the INSTEX mechanism is a good example of the seriousness of this approach. The bad news is that up to now all the EU attempts to save the nuclear deal have possibly been in vain, as in spite of a possible loophole in the US sanctions there will not be serious possibilities to avoid the US economic barrier in trading with Iran. In the meantime, the tendency is clear: The more independent initiatives the EU will use in breaking up the fences built up by their transatlantic ally and the more effective they will turn out to be, the more efficient the role of the EU will be.

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