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Four Scenarios for the Iran Nuclear Deal

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Four Scenarios for the Iran Nuclear Deal

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After a hiatus of over five months, negotiations to restore the Joint Comprehensive Plan of Action (JCPOA),¹ commonly known as the Iran nuclear deal, have finally resumed in Vienna. Struck in July 2015 by Iran and a group of six powers – France, Germany and the UK plus China, Russia and the US, as well as the EU (E3/EU+3)–, the JCPOA placed limits on Iranian nuclear activities, while also introducing a highly intrusive inspection regime by the International Atomic Energy Agency (IAEA).

The deal is in a comatose state due to former US President Donald Trump's decision to unilaterally pull out of the agreement and re-adopt all sanctions on Iran in May 2018. In response, since May 2019 Iran has progressively reduced its compliance with its non-proliferation obligations under the deal.²

More akin to an empty shell than anything else, the agreement still remains formally in place, especially thanks to the E3/EU's resolve to keep it afloat after 2018³ and Iran's choice not to abandon it altogether – the Iranians maintain that

¹ US Department of State website: *Joint Comprehensive Plan of Action*, <https://2009-2017.state.gov/e/eb/tfs/spi/iran/jcpoa/index.htm>.

² Crisis Group, "The Iran Nuclear Deal at Five: A Revival?", in *Middle East Reports*, No. 220 (15 January 2021), <https://www.crisisgroup.org/node/16010>.

³ Riccardo Alcaro, "Europe's Defence of the Iran Nuclear Deal: Less than a Success, More than a Failure", in *The International Spectator*, Vol. 56, No. 1 (March 2021), p. 55-72, <https://doi.org/10.1080/03>

their progressive breaches of the JCPOA's limits are justified by the US's unilateral withdrawal and the fact that Iran never received the economic benefits it was promised. Iran does have a point, as the extraterritorial reach of US "secondary" sanctions has indeed dried out most streams of legitimate trade between Iran and Europe, Russia and (less so) China.

In the first half of 2021, the Biden administration and the other E3/EU+3 negotiated with Iran the terms for a US re-entry into the JCPOA and for Iran to return to full compliance, a process that went on in spite of Iran complaining about continuous sabotage operations of its nuclear facilities universally attributed to Israeli agents.⁴ After six rounds of negotiation between April and June 2021, the contours of an agreement were emerging. However, the process ground to halt after Iran's presidential election,⁵ which saw the handover of power from pragmatist Hassan Rouhani, a champion of the nuclear deal, to the conservative Ibrahim Raisi, who favours a harder line.

While insisting that it is open to reactivate the JCPOA, the Raisi administration has stalled on the diplomatic front for months. Meanwhile, it has presided over the continued expansion of activities that the deal explicitly bars.⁶ Most notably, Iran has kept enriching uranium, a process that is needed to generate electricity but can also be diverted to military ends.

Iran has thus not just increased its stock of low-enriched uranium (3–4 per cent, sufficient for use in a reactor), but continued enriching to a 20 per cent level (theoretically necessary for medical applications but prohibited by the JCPOA) and even to 60 per cent, dangerously close to the 90 per cent threshold needed for a nuclear warhead. Besides, Iran has kept producing new generations of

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⁴ Farnaz Fassihi, Rick Gladstone and Ronen Bergman, "Blackout Hits Iran Nuclear Site in What Appears to Be Israeli Sabotage", in *The New York Times*, 11 April 2021, <https://www.nytimes.com/2021/04/11/world/middleeast/iran-nuclear-natanz.html>.

⁵ Crisis Group, "Iran: Push to Revive the Nuclear Deal, but Prepare for Worse Outcomes", in *Crisis Group Commentaries*, 7 October 2021, <https://www.crisisgroup.org/node/18108>.

⁶ David Albright, Sarah Burkhard and Andrea Stricker, "Analysis of IAEA Iran Verification and Monitoring Report - November 2021", in *Institute for Science and International Security Reports*, 19 November 2021, <https://isis-online.org/isis-reports/detail/analysis-of-iaea-iran-verification-and-monitoring-report-november-2021>.

centrifuges – the rotating machines necessary for the enrichment process – that are higher in number and more advanced technologically than permitted under the agreement. Finally, and more worryingly, it has reduced cooperation with IAEA inspectors, to the extent that the agency has recently admitted it can no longer provide an accurate account of the state of advancement of Iran’s nuclear programme.⁷

Thus, the negotiations resume in an atmosphere fraught with mistrust and pessimism. The E3/EU+3 want this new round to pick up where the previous talks left off, yet the Raisi administration has never confirmed that it is fine with this proposition. Instead, it has preferred putting forward demands.⁸

Specifically, Iran wants all sanctions adopted by the Trump administration to be lifted – not just those that had been suspended pursuant to the JCPOA but also the many others that were introduced following the US withdrawal. Second, Iran wants compensation for the significant economic damage it has suffered due to Trump’s “maximum pressure” policy. Lastly, Iran wants firm guarantees that the US will not leave the deal again.

If the Iranian government turns these positions into red lines, the talks will be short-lived. If, however, such maximalist demands are just an initial negotiating tactic, then there is still hope.

Much of the work done during the previous six rounds revolved around the effort to clarify what sanctions the US government considers to be actually incompatible with the JCPOA and thereby could be lifted in the context of talks. The Biden administration has repeatedly said that it is ready to suspend these measures (which also include the infamous secondary sanctions), and it may be ready to do away with other restrictions that Trump may have adopted just to make the life of his successor harder.

⁷ IAEA, *Verification and Monitoring in the Islamic Republic of Iran in Light of United Nations Security Council Resolution 2231 (2015)*, 17 November 2021, <https://www.iaea.org/sites/default/files/21/11/gov2021-51.pdf>.

⁸ Saheb Sadeghi, “The View From Iran: What the Raisi Administration Wants in the Nuclear Talks”, in *Foreign Policy*, 7 October 2021, <https://bit.ly/2YCyYqG>.

There is little chance that the Biden administration agrees to compensate the economic harm Iran has suffered since 2018, yet it could agree to steps that would provide Iran with immediate benefits, starting with the unfreezing of Iranian funds held abroad and the restoration of Tehran's ability to export oil and gas.⁹ The E3/EU could add to that by assisting Tehran in the fight against Covid-19 – regrettably Trump's maximum pressure had blocked that too – and immediately open credit lines to companies willing to do business with Iran.

Biden cannot provide guarantees against another unilateral withdrawal by another US president. It should be possible however to find arrangements that could work as partial guarantees that Iran will not find itself in the same situation it has been since 2018. For instance, were the US to pull out again, France, Germany and the EU could formally commit to activating the anti-coercion mechanism – a set of legal measures ostensibly aimed at protecting EU banks and companies from external pressure, including secondary sanctions, on which the European Commission has been working for months.¹⁰

The technical conditions for re-activating the JCPOA can be met. Whether all parties have the political will to make a sustained effort in that regard remains uncertain, though. The E3/EU+3 have shown a remarkable degree of cohesion, especially in the face of the growing tensions between the West and Russia and China. US and European negotiators have coordinated with their Chinese counterparts, and the Russian delegation stood out for its activism and commitment during previous negotiation rounds. Most, if not all, hinges on the ability of the E3/EU+3 to combine persuasion, incentives and pressure to bring Iran to revisit its maximalist demands.

What then are the prospects for the future? Four scenarios define the range of possibilities, although the actual outcome of the negotiation may fall somewhere in-between two of the following options: the breakdown of negotiations, a watered-down agreement (a sort of JCPOA-minus), the restoration of the JCPOA in its current form or a stronger and longer agreement (a JCPOA-plus).

⁹ Esfandyar Batmanghelidj, "Sharp Relief: Automatic Benefits and the Iran Nuclear Deal", in *ECFR Commentaries*, <https://ecfr.eu/?p=80050>.

¹⁰ European Commission, *Strengthening the EU's Autonomy – Commission Seeks Input on a New Anti-Coercion Instrument*, 23 March 2021, https://ec.europa.eu/commission/presscorner/detail/en/IP_21_1325.

The breakdown of talks is an entirely plausible eventuality. For that to happen it is not even necessary that the negotiations be officially cancelled. A drawn-out process would suffice, as the longer the talks go on the less valuable the JCPOA will be. This stems from the fact that the limits on Iran's ability to enrich uranium will be phased out between 2026 and 2031. It is reasonable to assume that the US and the E3/EU would not be comfortable with a JCPOA that fully works only for one or two years. If no progress is achieved in a few months' time, then, the prospect for reactivating the deal becomes thin indeed.

In this nefarious scenario, economic and diplomatic pressure on Iran would grow from all sides – including from within the Middle East, where the Islamic Republic's rivals, such as Israel or Saudi Arabia, could push for the US to strike Iran's nuclear facilities. Israel could actually take the initiative itself,¹¹ which may eventually compel the US to intervene in support of it. Even China and Russia would be reluctant to provide Iran with diplomatic cover, although they would almost certainly oppose any military action.

It is safe to assume that both Iran's Supreme Leader Ali Khamenei and President Raisi are aware of the risks and costs associated with a breakdown in the negotiations. They might thus go for another option, namely a more limited agreement than the JCPOA, one that would give Iran only partial sanctions relief.

This option has a certain appeal in Tehran because the conservative faction in power is not that much interested in reintegrating Iran into the international economy as the Rouhani administration was. Khamenei, who has often spoken of the need to build a "resistance economy", and Raisi may be content with Iran being able to export hydrocarbons even though all other US sanctions remain in place. A JCPOA-minus could satisfy Russia and China, who would continue to invest in their diplomatic-security relationship (the former) and political-economic partnership (the latter) with the Islamic Republic.

The third scenario, the full restoration of the JCPOA, is improbable but not impossible. The US withdrawal has greatly augmented mutual distrust and

¹¹ Farnaz Fassihi, Rick Gladstone and Ronen Bergman, "Blackout Hits Iran Nuclear Site in What Appears to Be Israeli Sabotage", cit.

strengthened hard-liners both in Tehran and Washington. The promise of a more constructive engagement between the US and Iran, which years of good faith implementation of the JCPOA would have facilitated, is in all likelihood gone. A restored JCPOA would fundamentally amount to a temporary détente. As soon as the first limits on uranium enrichment start fading in 2026, tensions would grow again, with the risk of a full-blown crisis erupting before 2031, the date after which Iran will be entitled to develop an industrial-scale civilian nuclear programme.

In fairness, a full restoration of the JCPOA would be much better than the current situation. Iran's ability to enrich uranium would still be constrained for several years and, most importantly, Iran would continue to be bound by the deal's severe limits on the production of plutonium (which has been the usual way by which countries have built atomic arsenals) and the IAEA's inspection regime.

In the fourth scenario, Iran would agree to longer and/or stronger limitations on its nuclear activities in exchange for a massive scaling down of US sanctions. This outcome would not only be the most reassuring in terms of regional security and non-proliferation, but also the one strategically most advantageous for Iran itself.

A JCPOA-plus would create a long-term truce with the US, ease regional tensions and lay the groundwork for a normalised economic relationship with Europe. Iran would consequently be in a stronger international position, as it would not be forced to rely only on China and Russia for support. Instead, while its ties with Moscow and Beijing would continue to give it strategic depth, an improved relationship with its neighbours and Europe would ensure that the Islamic Republic retains greater foreign policy leeway, thereby safeguarding its much-cherished strategic independence.

Regrettably, the Biden administration is reluctant to embark in bold endeavours for which it feels it lacks the necessary political capital, and Iran under Raisi has shown a degree of ideological rigidity that makes the proposition of making more concessions than Rouhani (even if in return for more benefits) hardly acceptable. Therefore, however good a JCPOA-plus is, it is also the least likely outcome.

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