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If the JCPOA Collapses: Implications for Nuclear Non-Proliferation and International Security

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About the Author

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If the JCPOA Collapses: Implications for Nuclear Non-Proliferation and International Security

Executive Summary

This paper explores plausible scenarios and the repercussions if Iran were to discontinue its compliance with the Joint Comprehensive Plan of Action (JCPOA) or the Nuclear Non-Proliferation Treaty (NPT). A foresight study, it offers neither a prediction of the JCPOA's future nor a judgement on the intentions of Iran or any other country. The aim is rather to explore systematically the likely outcomes of a potential crisis, thus adding urgency to the ongoing efforts to preserve the nuclear deal.

This study outlines three JCPOA choices for Iran:

- Scenario 1. Iran withdraws from both the JCPOA and the NPT, and openly seeks nuclear weapons. Tehran's decision shocks and unites the international community, but some states (Israel, Saudi Arabia, the United States) feel compelled to undertake military action. Iran retaliates. Regional war ensues.
- Scenario 2. Iran withdraws from the JCPOA and nominally continues adhering to the NPT, but with a threshold nuclear programme. Although Tehran insists that it is abiding by its NPT obligations, the resumption of nuclear activities beyond JCPOA limits fuels suspicions that Tehran is seeking nuclear weapons. The uncertainty divides the international community, with some states opting for 'pre-emptive' limited strikes.
- Scenario 3. Iran continues adhering to the JCPOA and the NPT. The E3/EU persuade Iran that the JCPOA serves its security and economic interests better than any alternative. Although Washington does not return to the deal, the Europeans and other supporters of the JCPOA manage to make additional economic benefits available to Iran, giving Tehran enough substance and symbolism to continue compliance with its JCPOA and NPT obligations.

Iran's withdrawal from the JCPOA—irrespective of its continued NPT adherence—would result in an instant deterioration of the regional security environment, involving a high probability of conventional war and the possible nuclearisation of Saudi Arabia. The EU and Iran would be worse off in any case, and the NPT regime may not survive.

Without the JCPOA constraints, a part of the international community—particularly regional stakeholders like Israel and Saudi Arabia—would harbour deep concerns about the nature of Iran's nuclear activities and most likely act according to their threat assessment. At a minimum, this would mean that the E3/EU will be unable to engage other states on sanctions relief for Iran. At worst, the E3/EU might find themselves forced to join punitive measures against Iran.

Reaching the positive outcome of Scenario Three requires the Europeans and the wider international community to redouble their engagement efforts, whilst urging Iran to avoid brinkmanship around the JCPOA. With this in mind, this study offers specific recommendations, which should enable the E3/EU to react early and prevent the negative scenarios from materialising.

Introduction

On 8 May 2018, President Donald J. Trump pulled the United States out of the Joint Comprehensive Plan of Action (JCPOA), the so-called Iran nuclear deal.¹ On 7 August and 5 November 2018 respectively, the United States re-instated sanctions against Iran. Washington's withdrawal from the JCPOA has sparked many debates on the agreement's continued viability, with speculations that it is only a matter of time before Iran reciprocates.

This foresight study offers neither a prediction of the JCPOA's future nor a judgement on the intentions of Iran or any other country. Rather, the aim is to explore systematically the development of a potential crisis. This paper thus examines possible scenarios and the likely repercussions if Iran were to discontinue JCPOA compliance, which would inevitably result in the agreement's collapse. This is done to showcase not only that the consequences range from extremely bad to catastrophic; but also to remind decision-makers in European capitals and Tehran of the imperative to preserve the agreement. To provide a 'positive' to explore alongside the negative scenarios, this study looks also into the option of a peaceful resolution of the crisis.

"The consequences of Iranian non-compliance would range from extremely bad to catastrophic."

Concluded in July 2015 between Iran, the five permanent members of the United Nations Security Council (China, France, Russia, United Kingdom, United States), Germany and the European Union (the so-called P5+1 or E3/EU+3), the JCPOA entered into force in January 2016. Aimed at blocking, and ideally halting, Iran's ability to develop nuclear weapons, the agreement places significant restrictions on Iran's nuclear activities, by:

- limiting Tehran's ability to enrich uranium. The JCPOA restricts the number and type of centrifuges for 10-15 years, puts a 3.67% cap on enrichment levels, and has reduced the country's existing stockpile of enriched uranium by 98%;
- requiring Iran to modify the Arak heavy-water reactor to render weapons-grade plutonium production nearly impossible and to refrain from uranium enrichment at the Fordow underground facility;
- explicitly forbidding a number of research activities which might be used for developing nuclear weapons;
- granting the International Atomic Energy Agency (IAEA) broader monitoring and verification authorities. The JCPOA requires Iran to accept real-time monitoring and surveillance of facilities. For example, the IAEA uses the newly developed Online Enrichment Monitor at the Natanz Fuel Enrichment Plant to verify Iran's uranium enrichment levels in real-time. Further, Iran agreed under the JCPOA to implement the Additional Protocol provisionally, with some provisions that go beyond this instrument.²

Iran's reaction to the US withdrawal and the likelihood of the JCPOA's collapse

Iran's immediate response to Washington's withdrawal was to pledge to remain party to the JCPOA so long as the E3/EU+2 (the EU, China and Russia) guaranteed some of the economic benefits originally promised. As Iranian President Hassan Rouhani noted, 'If we come to the conclusion that with cooperation with the five countries we can keep what we wanted despite Israeli and American efforts, [the JCPOA] can survive.'³

JCPOA collapse becomes more likely,

however, if the E3/EU+2 are unable to offer Iran's JCPOA supporters sufficient economic and symbolic incentives to continue complying with the deal. Although the prospect of diplomatic isolation and the strong possibility of an Israeli air strike might ensure Iran's continued JCPOA compliance even if the promised economic benefits are not forthcoming, one should not underestimate the significance of the economic aspect for Tehran. As Iranian Foreign Minister Mohammad Javad Zarif told *Der Spiegel*,

The nuclear agreement is not a love affair. It was a sensible compromise. Iran is prepared to continue adhering to it for as long as it serves our interests. That is a purely practical issue, not an emotional one. International relations are rooted in give and take. If this balance is destroyed by the actions of the Americans and the passivity of the Europeans, we will react accordingly.⁴

The trend is unfavourable. Despite efforts to continue trade with Tehran, inter alia, through the Special Purpose Vehicle for Iran-EU trade (SPV)—a barter mechanism bypassing US sanctions by facilitating trade without financial transactions between European firms and Iran—major European companies have announced their intention to cancel business agreements struck following the conclusion of the JCPOA unless they are granted sanction exemptions by the United States.⁵ Amongst the major agreements that have either been cancelled, or are at risk, are a \$5 billion deal with Total to develop the South Pars gas field, the sale of 100 Airbus jets to Iran Air, and the \$1.4 billion contract awarded to Italian State Railways (FS) for the construction of a high-speed railway between Qom and Arak.⁶ Businesses seem more concerned about the prospect of losing access to the US market, or of facing fines from US enforcement authorities, than about following the incentives from European officials.

JCPOA collapse becomes even more likely if hardliners turn into the dominant influence in domestic politics as they would probably adopt a more confrontational policy course overall.⁷ Although the next Iranian parliamentary and presidential elections are not scheduled before 2020 and 2021 respectively, elections could be called early—or a government re-shuffle orchestrated by Iranian Supreme Leader Ayatollah Ali Khamenei could install a more hardline administration—if support erodes for the current government. Indeed, the core hardline narrative—greater assertiveness towards the West—seems to be gaining traction within domestic politics already, with discussions about possible enrichment beyond JCPOA limits being a case in point: Supreme Leader Ayatollah Ali Khamenei has suggested that such a move is likely if the agreement falls apart.⁸ President Hassan Rouhani has struck a similar chord, stating in a televised address in response to Washington's JCPOA pullout that, 'I have ordered AEOI [Atomic Energy Organization of Iran] to go ahead with adequate preparations to resume enrichment at the industrial level without any limit.'⁹

Exploring scenarios after the JCPOA's collapse

This section outlines three plausible choices for Iran: (1) withdrawal from both the JCPOA and the Non-Proliferation Treaty (NPT), (2) JCPOA withdrawal and nominal continued adherence to the NPT (but with a threshold nuclear programme creating uncertainty about Iran's intentions), (3) continued JCPOA and NPT adherence.

A fourth scenario, in which Iran withdraws from the JCPOA and the NPT without launching a threshold nuclear programme, is possible but unlikely. Although one could argue that Tehran might consider NPT withdrawal without launching such a programme as a protest move aimed at strengthening its negotiation position in light of a weakened NPT regime, a cost-benefit analysis renders

this option unattractive. Whilst an Iranian NPT withdrawal is not synonymous per se with an Iranian nuclear weapons programme, the United States and others would likely interpret discontinued NPT adherence in this way. The consequences of NPT withdrawal for Iran would thus entail grave international criticism and, possibly, sanctions, without the 'security benefit' of opening an Iranian nuclear weapons option.

A fifth scenario, which would see Tehran 'testing' non-compliance with one of the JCPOA restraints in an attempt to re-negotiate the agreement and to please more radical voices in domestic politics, may also be considered. Yet, it seems unlikely to result in an outcome other than JCPOA collapse. The E3/EU+2 will treat any limited non-compliance by Iran as a violation. Any Iranian brinkmanship (unless quickly abandoned) would thus escalate, leading to the dismantlement of the JCPOA. And without the partial economic lifeline extended to Tehran by the E3/EU+2, further economic deterioration—the scenario that Tehran seems determined to avoid at present—would materialise.

Following the foresight work of Stiftung Wissenschaft und Politik (SWP), this study neither aims nor claims to predict the future.¹⁰ Rather, the purpose is to provide systematic foresight for hypothetical future situations to help inform policy choices. The methodological approach adopted follows that of our colleagues at SWP:

In its practical applications, this entails describing the development of each situation so carefully that the story is in itself plausible and consistent. Then it involves analysing, according to scientific standards, the initial assumptions and interrelationships that characterise the situations – in as far as this is feasible for hypothetical cases.¹¹

Future events could, of course, fundamentally alter the three scenarios discussed in this

foresight study. But—to reiterate—the aim here is to generate debate about future policy choices rather than predicting the future per se.

One example of an unpredictable dynamic that could affect Iran's JCPOA choices is the assassination of Saudi Arabian journalist Jamal Khashoggi in Istanbul on 2 October 2018. On the one hand, Tehran—content with international pressure focusing on Saudi Arabia—might now feel less inclined to withdraw from the JCPOA as the Khashoggi murder not only diverts attention from Iran to Saudi Arabia, but also weakens Riyadh's regional and global position. On the other hand, the Khashoggi fallout could prompt Saudi Arabia to push hard against any Iranian JCPOA transgression in order to strengthen its weakened position.

Another example of an unpredictable dynamic may be the fallout from Iran's covert operations in Europe—such as the recently discovered plans of a bomb plot near Paris and the alleged assassination plot in Denmark.¹² They could dramatically affect the scenarios discussed in this foresight study, eroding European support for the JCPOA and prompting punitive measures, such as sanctions, against Iran.

Scenario 1: Iran withdraws from the JCPOA and the NPT and openly seeks to become a nuclear-weapon state

On 7 August 2019, Iranian Supreme Leader Ayatollah Ali Khamenei announces Iran's intention to produce nuclear weapons 'within months'. Arguing that Washington's withdrawal from the JCPOA, coupled with its maximum pressure campaign aimed at regime change, 'have jeopardised Tehran's supreme interests', he declares that an Iranian deterrent is the only way of protecting the Islamic Republic against its enemies. Iran, he proclaims, no longer considers itself bound by neither the JCPOA nor the NPT.¹³

How we got here

On this day a year before, Washington's resumed sanctions against Iran had come into effect. Despite the E3's attempts to offer the country an economic lifeline in exchange for continued JCPOA adherence, the sanctions crushed Iran's economy. Inflation and youth unemployment skyrocketed. President Rouhani's initial reaction to the US withdrawal from the JCPOA—abiding by Tehran's obligations—came under pressure as more hardline narratives became dominant, a tendency that Iranian officials warned about already in April 2018.¹⁴

US sanctions, and President Trump's engagement with the DPRK, nourished the perception that only an Iranian nuclear bomb could deter US assertiveness vis-à-vis Tehran in future. Indeed, warning of the growing influence of hardline elements like the Islamic Revolutionary Guard Corps, one senior Iranian official noted in April 2018 that: 'the [nuclear] bomb is increasingly seen as the rational option'.¹⁵ And in the same month, Ali Shamkhani, the Secretary of Iran's Supreme National Security Council outlined on state television NPT withdrawal as a possibility in response to the JCPOA's collapse.¹⁶

The Rouhani administration attempted to appease the critics. In the economic sphere, the freezing of 'domestic foreign-exchange transactions and [the] outlaw[ing of] foreign-currency holdings of more than €10,000'¹⁷ broke with 'three decades of relatively liberal economic policymaking'¹⁸ but did not bring the expected results. As the economy stagnated over subsequent months, the rial again nosedived, social programmes shrunk, whilst unemployment and prices soared. E3/EU+2 efforts to provide Iran with economic benefits failed as E3/EU+2 companies were given insufficient incentives to continue trade with Tehran. The SPV failed to gain traction.

Turkey, which could not afford yet another failed state on its border, attempted to

help Iran with sanctions busting. Whilst these efforts did not significantly increase Tehran's trade revenue, Turkey-US relations plummeted as a result.

Widespread street protests erupted throughout Iran as the economic situation deteriorated. Hardliners fuelled the protests by accusing Washington of bullying and the Europeans of weakness, reiterating their well-known narrative that good relations with the West are at odds with Iran's interests. They demanded that Iran look east, to China and Russia. Under the US maximum pressure approach, the Iranian population grew more nationalist. Whilst the Iranian people focused on the government's economic policies, the protestors also demanded that Iran build a nuclear weapon, further limiting the regime's margin for manoeuvre. The demonstrations were contained and President Rouhani stayed in office, but he lost all political influence.

“Under the US maximum pressure approach, the Iranian population grew more nationalist.”

Despite the Democratic advances in the November 2018 US mid-term elections, in which the Republican Party lost control of the House of Representatives, without also controlling the Senate they were unable to push back against the Iran sanctions.¹⁹ The Rouhani administration hoped—erroneously—that a Democratic win would set the United States on a path of gradual, if selective, re-approximation with the JCPOA, resulting eventually in partial sanctions relief. Renewed E3/EU attempts at engaging Washington, particularly the Democrats, on the sanctions issue failed to build momentum. As a consequence, no significant internal political forces pushed against the Supreme Leader when he declared that Iran would acquire nuclear weapons.

Implications for regional security and the global non-proliferation regime

Tehran's statement shocks, and unites, the international community. The United Nations Security Council condemns these actions as 'a threat to international security', and passes a crushing sanctions resolution, akin to the ones imposed upon the Democratic People's Republic of Korea (DPRK).²⁰ The sanctions target, inter alia, Iran's oil exports, upon which the country's economy had hitherto depended.

As it becomes clear that the sanctions fail to dissuade Tehran from continuing its nuclear weapons programme, several countries, led by the United States, Israel and Saudi Arabia, announce their willingness to activate 'the military option' in order to end Iran's nuclear weapons programme by force. States differ in their preferences: either limited strikes against key facilities or a wider military incursion.

Saudi Crown Prince Mohammed bin Salman demands that the international community take decisive action to 'discontinue' Iran's nuclear weapons programme—that is, a military strike if Iran fails to return to the NPT within two weeks. He announces that if the international community is unsuccessful in ending the Iranian nuclear weapons programme, Saudi Arabia will also withdraw from the NPT. Given this changed security environment, Riyadh argues that it will need to develop its own nuclear deterrent to defend its security interests if Iran is not stopped.²¹

In the meantime, the United States, Israel and Saudi Arabia discuss a number of military scenarios. As Riyadh's deadline passes, Saudi Arabia and Israel call upon the world to seize 'the window of opportunity' to strike Iran before Tehran can acquire a nuclear weapon. An Israeli-Saudi de facto coalition, with limited US support, strikes key Iranian nuclear facilities. Iran retaliates.

With both sides suffering significant

casualties and damage, an escalation of hostilities is likely—a regional war could ensue—and the outcome of a military confrontation remains uncertain.

“An escalation of hostilities is likely and the outcome of a military confrontation remains uncertain.”

Although no further countries decide to withdraw from the NPT immediately, some states are not shy to threaten withdrawal, with some pointing to Iran's case and some arguing that the 'real' cause of the crisis is the P5's failure to make tangible reductions in their nuclear arsenals. Iran's withdrawal, threat of further withdrawals and the lack of progress on nuclear disarmament polarise the international community at the 2020 NPT Review Conference, which fails to produce a consensus document, fuelling the perception of an impending NPT breakdown.

Scenario 2: Iran leaves the JCPOA, remains party to the NPT but resumes a large-scale 'threshold' nuclear programme (fuelling uncertainty over its nuclear intentions)

On 7 August 2019, Iran denies IAEA inspectors access to the Natanz enrichment plant, and prevents the taking of environmental samples at Natanz and at other nuclear facilities. In response to IAEA queries, Iranian Supreme Leader Ayatollah Ali Khamenei declares that, absent Western JCPOA compliance, Iran no longer considers itself bound by the agreement. Pointing to its strong non-proliferation credentials under the JCPOA, Tehran reminds the international community that the United States and the E3/EU+2 failed to comply with their JCPOA obligations, whilst the IAEA repeatedly found Tehran to be in full compliance with its side of the deal. Tehran declares that it will abide by its obligations under the NPT, meaning

that it will not seek nuclear weapons. Iran will, however, make use of its 'inalienable right' under the NPT to develop nuclear technology for peaceful purposes, including enrichment and reprocessing.

In the weeks that follow, Iran delays IAEA inspections at Natanz and Fordow, citing environmental hazards and safety concerns. The Iranian ambassador to the IAEA states that, due to JCPOA collapse, Tehran stopped implementing the Additional Protocol, meaning that the 'complementary access' provisions no longer apply.

A year later, Israeli Prime Minister Benjamin Netanyahu claims that his country has gathered intelligence indicating that Tehran has rekindled a covert nuclear weapons programme. He produces satellite imagery showing the location of a new facility near the Natanz enrichment complex, hidden underground, where Iran has been allegedly producing high-enriched uranium for a bomb.

How we got here

President Rouhani's counter-measures in response to the disastrous impact of US sanctions on the Iranian economy proved insufficient to satisfy hardliners, building momentum for greater assertiveness within Iran's domestic policy community. President Trump's speech to the United Nations General Assembly on 25 September 2018 strengthened the hands of hardliners, with even President Rouhani, hitherto a moderate, interpreting President Trump's remarks as evidence that Washington was pursuing 'economic terrorism'²² to effect nothing but 'regime change'²³.

Although the Democratic advances in the November 2018 US mid-term elections provided a glimmer of hope of rapprochement, there was no policy shift and the E3 failed at engaging Washington on sanctions relief. Promises of an economic stabilisation package for Iran did not materialise. In spring

2019, nuclear affairs were formally handed back from the Iranian Ministry of Foreign Affairs to the Supreme National Security Council, in which advocates of a more hardline stance dominated, signalling a turn towards greater assertiveness.²⁴

Amidst growing economic turmoil and with little prospects of sanctions relief, the Supreme National Security Council decided in August 2019 to stop complying with the JCPOA. For hardliners, the move represented an effort to push back at US 'economic terrorism'²⁵; for moderates, it was an attempt at creating a bargaining situation aimed at building the conditions for fresh negotiations. In line with these considerations, the Iranian decision represented a compromise between hardliners and moderates: Iran would stay in the NPT but resume a threshold nuclear programme. The strategic calculus was that a threshold nuclear programme would permit Iran to make rapid progress towards constructing the bomb in case the security environment rendered this path necessary in future—but without actually crossing that threshold yet.

Tehran subsequently stepped up all aspects of its civilian nuclear programme, investing heavily in uranium enrichment and reprocessing technologies. Tehran thus resumed the threshold nuclear programme it had suspended in 2013, making steady advances over the next twelve months.

Implications for regional security and the global non-proliferation regime

Reacting to Iran's 2019 decision, the P5 and a number of other states, condemn Iran's withdrawal from the JCPOA, declaring that the move reignites suspicions about the nature of Iran's nuclear activities. Israel and Saudi Arabia in particular, which see an Iranian nuclear weapons programme as an existential threat to their security, warn that Iran is certain to restart the military nuclear programme and call upon the international

community to resolve the issue ‘with urgency’. At the same time, a significant number of non-aligned countries cautiously express understanding for Iran’s decision, highlighting that the Islamic Republic remains bound by the NPT.

“Iran’s withdrawal from the JCPOA reignites suspicions about the nature of its nuclear activities.”

Prevailing uncertainty about the aims and nature of Iran’s nuclear activities prompt heated debates amongst the E3 and the other EU member states: should Europe immediately punish and contain Iran? Or should Brussels try to negotiate at least reinstated access to Iranian facilities in return for a more lenient approach, accepting Iran’s JCPOA withdrawal and the increased ‘civilian’ nuclear activities?

The E3/EU—keen on dialogue—initially settle for engagement, in an attempt to persuade Iran that resuming the implementation of the Additional Protocol would be an important confidence-building measure. These attempts fail, however, after long and torturous negotiations. Iran ultimately refuses, fanning suspicions about its nuclear intentions.

Israel’s 2020 allegations that Iran has re-launched a covert nuclear weapons programme prompt calls for ‘decisive action’ particularly from the United States and Saudi Arabia. Iran denies the allegations but reduces cooperation with the IAEA. Without verified and unequivocal evidence, the Europeans are divided and slow in supporting the US call for tougher sanctions.

As it becomes clear that fresh sanctions—less severe than in the NPT withdrawal scenario outlined above—do not cause Iran to curtail its nuclear activities, Saudi Arabia and Israel call for a more assertive approach. The lack

of impartial IAEA evidence means that states disagree over the necessity for military action, and the United Nations Security Council fails to reach an agreement.

Saudi Arabia, which has previously announced its intention to seek its own nuclear deterrent should Tehran move in this direction, declares that, since Iran is clearly seeking nuclear weapons, it now seriously considers NPT withdrawal, absent disarming military action against Iran from the international community. The United States, reluctant to be bogged into another potential war in the Middle East, advocates maximum economic pressure—more sanctions—rather than a military strike for the time being.

Amidst uncertainty about Iran’s nuclear activities and given the lack of support for a military strike, Saudi Arabia announces its withdrawal from the NPT. Saudi Arabia’s withdrawal decision prompts widespread criticism from the international community. Although no further countries decide to withdraw as an immediate response, the non-nuclear-weapon state parties to the NPT sound alarm bells at the 2020 NPT Review Conference. They demand not only immediate tangible progress on nuclear disarmament from the P5, but also sustained efforts to bring Iran and Saudi Arabia back into NPT compliance.

As little progress is made with Iran, Israel and Saudi Arabia launch a series of limited military strikes against key Iranian facilities, claiming the destruction of enrichment plants. Iran retaliates, and announces its withdrawal from the NPT. The Saudi-Israeli military action prompts a United Nations Security Council condemnation but divides the international community, including the E3/EU. Further chaos ensues.

During the 2020 presidential election campaign, President Trump applauds Saudi Arabia for ‘taking care of its own security’. He suggests that Allies around the world, particularly the South Koreans, should imitate

that path or ‘pay the American taxpayer BIG MONEY for the continued provision of US security guarantees’. On 15 August 2022, the recently inaugurated Hong Jun-pyo administration withdraws South Korea from the NPT, citing concerns over US reliability and ‘lessons learned’ from the Middle East crisis.²⁶

Scenario 3: Iran remains party to the NPT and continues fulfilling its JCPOA commitments

On 7 August 2019, the IAEA releases a report announcing that Tehran remains in full compliance with its JCPOA and NPT commitments. A series of IAEA inspections in Iran led to this conclusion. Iranian Supreme Leader Ayatollah Ali Khamenei declares that Tehran’s future cannot be guaranteed by nuclear weapons but by close contacts with external partners. He offers to open ‘a new chapter’ in relations between Iran and its neighbours and the United States.

How we got here

Seeking to ease the mounting political pressure on the Rouhani administration and the hardening rhetoric in Tehran and Washington, the E3 launched a sustained engagement effort towards all original JCPOA participants. Whilst the outreach to Washington did not result in agreement on US sanctions relief for Iran, the E3/EU discussions with Iran, China and Russia proved fruitful in terms of finding additional ways to support the Iranian society and economy throughout the crisis.

In the economic sphere, the E3/EU+2 agreed to provide an economic stabilisation package consisting of sanctions-blocking measures, euro-denominated funding, and loans to compensate for the effects of US sanctions. The EU’s SPV proposal gained some traction, not only because China and Russia joined, but also because these states incentivised their

companies to trade through the SPV. The EU remained united in the face of US sanctions, supporting its companies that have been targeted by the United States. Tehran accepted that partial economic benefits from the E3/EU+2 in return for continued JCPOA compliance served its economic interests better than the alternative: the JCPOA’s collapse.

The Iranians further recognised that China—not the Europeans—battered their bread. In an escalating US-China trade war, the Chinese uplifted large quantities of Iranian oil and gas for resale in defiance of US sanctions. Iran reluctantly moved further into Beijing’s sphere of influence. But with US sanctions faltering, Iran-Europe trade and political ties also started to recover.

Politically, the E3/EU+2 convinced Iran that retaining the JCPOA served Iran’s security interests. The parties agreed to convene a regular high-level confidence-building dialogue that would not only review JCPOA implementation but also address regional security issues, particularly relations with regional states as well as Tehran’s transfer of rockets and missiles to non-state actors and the further development of its own ballistic missiles.

Implications for regional security and the global non-proliferation regime

A joint E3/EU+2-Iran declaration on the strategic partnership and on the continued relevance and implementation of the JCPOA, released in 2019, helps to defuse tensions over Tehran’s nuclear intentions and to increase the stability of markets.

At the regional level, Saudi Arabia recognises that the JCPOA puts brakes on the Iranian programme and does not feel compelled to guarantee its security through an indigenous nuclear weapons programme. The high-level confidence-building dialogue eventually opens the perspective of a rapprochement

between Tehran and Riyadh.²⁷

States around the world welcome the end of the crisis. Although there is widespread support for the NPT and a boost of confidence in Iran's stance, the usual rifts between non-nuclear-weapon and nuclear-weapon states, along with the position of some countries insisting that Iran is cheating, cause the 2020 NPT Review Conference to end without a final document. This is not seen, however, as the end of the regime.

Building on the momentum from a Saudi-Iranian détente and renewed international calls for CTBT entry-into-force, Riyadh and Tehran agree on a step-by-step, time-bound ratification of the CTBT in late 2020. Saudi Arabia agrees to sign the CTBT (Iran had already signed in 1996) as a first confidence-building measure. Both countries announce their intention to proceed with joint ratification after a fixed period.

Following President Trump's defeat in the 2020 elections, the new US president does not bring Washington back to the JCPOA, but works with Congress to remove secondary sanctions against European companies and initiates back-channel contacts with Iran to decrease tensions.

“This scenario leaves the door open for a wider agreement between the US, the E3, and Iran.”

At the international level, this scenario leaves the door open for a wider agreement between the United States, the E3, and Iran that addresses aspects beyond the nuclear issue.

Recommendations for European countries on managing the situation

Iran's withdrawal from the JCPOA—irrespective of its continued NPT adherence—

would result in an instant deterioration of the regional security environment, involving a high probability of limited conventional war and the possible nuclearisation of Saudi Arabia. Without the JCPOA's constraints, the international community—particularly regional stakeholders like Israel and Saudi Arabia—would harbour deep concerns about the nature of Iran's nuclear activities.

The E3/EU should thus be adamant to their Iranian counterparts that leaving the JCPOA will lead automatically to the assumption that Iran is developing nuclear weapons. At a minimum, this would mean that the E3/EU will be unable to engage other states on sanctions relief for Iran; at worst, the E3/EU might find themselves forced to join punitive measures against Iran.

The E3/EU gain nothing from the JCPOA's collapse, irrespective of Iran's continued NPT adherence. Iran's withdrawal from the JCPOA translates into a loss of influence for the E3/EU, leaving them with only bad choices: appeasement or punitive measures. The regional stakeholders—Saudi Arabia, Iran and, possibly, Israel—along with the United States would probably take matters into their own hands. Such a scenario would reduce the likelihood of a diplomatic settlement and increase the probability of war.

Iran, for its part, has much to lose, but nothing to gain, from discontinuing its compliance with the JCPOA and the NPT. Any move towards JCPOA or NPT withdrawal would reignite international suspicions about Iran's nuclear activities and isolate the Islamic Republic internationally. Withdrawing from the NPT would significantly damage the non-proliferation regime and could well lead to military action by Israel, Saudi Arabia and the United States; withdrawing from the JCPOA would likely cause the E3/EU+2 to impose punitive measures upon Tehran, undoing much of the progress that Iran has made in its rapprochement with the Europeans.

Beyond the implications for regional security,

Iran's JCPOA withdrawal could probably prompt Saudi Arabia to withdraw from the NPT (unless the international community can provide credible assurances that Iran is not developing nuclear weapons covertly). At an extreme, this move—coupled with concerns over the reliability of the US nuclear umbrella—could prompt NPT withdrawals elsewhere—a scenario which would destroy the NPT as such.

Whilst it is obvious that the E3/EU should redouble their JCPOA preservation efforts, the three scenarios discussed earlier identify the underlying dynamics and highlight rationales for Iran's specific choices with regards to the JCPOA. Each scenario further illustrates that matters could move quickly. With this in mind, the following recommendations should enable the E3/EU to react early, thereby mitigating the outcome of Iran's JCPOA choices. In particular, the E3/EU should:

- Engage Iran on continued JCPOA adherence, pointing to the agreement's security benefits and offering additional economic incentives such as blocking measures, euro-denominated funding, or credits to compensate for US sanctions. Further, European diplomats should closely follow, and retain the focus on, the nuclear and JCPOA-related debate within Iran, reacting early to any indications that Iranian decision-makers may contemplate withdrawal from the JCPOA or the NPT.

Beyond these specific practical measures, the E3/EU should also consider more symbolic steps, such as high-profile visits or a strategic partnership with Iran.

- Continue and re-double ongoing efforts to find a way of providing some economic benefits to Iran without jeopardising the EU's interests. A number of European financial response options to US pressure (such as blocking measures, euro-denominated funding, credits to compensate for sanctions) have been suggested but remain difficult

to put into effect. Previous blocking measures, introduced in 1996 and intended to persuade EU businesses to ignore sanctions, have actually not been implemented. According to an EU official, the foreign ministers were 'very well aware that there is no magic option which can be applied. There will be a complicated and comprehensive pattern of options both at the EU and at the national level and therefore it may take some time to establish all of them'.²⁸

Initial estimates expected EU-Iran trade—even with the SPV in place—to decrease by 50-60%. The expectations of what the SPV can achieve have cooled. If the SPV is to be successful, the EU must continue efforts to provide incentives for European firms to use it. As it stands, the SPV has become the institutionalised symbol of the EU's willingness to stand up to the United States. Regardless of further progress, the E3/EU should leverage this symbolism to persuade Iran to continue complying with the JCPOA.

- Engage regional states, particularly Saudi Arabia, Bahrain and the United Arab Emirates, which have expressed concerns about Iran's regional influence and regard Iran as a security threat. This engagement effort should focus on confidence-building measures, addressing regional security issues like ballistic missiles, and offer, where necessary, security guarantees from specific European states, especially from the nuclear-armed states, to reduce the likelihood of military escalation and to prevent Saudi Arabia from nuclearising. Such consultations should involve also Israel, and would obviously need to intensify in case of an Iranian move against the JCPOA or the NPT as described in Scenarios One and Two.
- Explore additional ways of maintaining the JCPOA with the support of Russia and China, which have announced their

intention to work with the E3 to uphold the agreement.²⁹ The E3/EU should continue working with both countries to render the SPV successful.

- Convince Iran to ratify the CTBT as part of a wider agreement to 'add muscle' to the JCPOA. This would not only signify a legally binding commitment by Iran to never conduct a nuclear explosion (a confidence-building measure), but it would also strengthen the non-proliferation regime by bringing CTBT entry-into-force closer. The CTBT was key in effecting the indefinite, unconditional 1995 NPT extension decision.
- The E3/EU should engage the United States intensively through their diplomatic channels and their intelligence agencies to address suggestions of regime change in Iran and the consequences of its current maximum pressure approach. It may be argued that maximum pressure will merely bring the Iranian population closer to the hardline position, that it will make it increasingly rational for the Iranian regime to go for a nuclear deterrent, and that it will serve Saudi regional interests but not necessarily US global ones. The E3 should engage Washington to rebut the notion that the EU wants to preserve the JCPOA purely for economic reasons.³⁰
- Further, the E3/EU should, in their discussions with Washington, highlight the catastrophic consequences the JCPOA's collapse would have on the NPT. With the adoption of the Treaty on the Prohibition of Nuclear Weapons on 7 July 2017 continuing to polarise the NPT community, the United States should have a sustained interest in—and much political capital to win from—supporting the NPT and not appearing to undermine it. As the scenarios discussed in this study illustrate, the JCPOA's collapse, regardless of Tehran's continued NPT membership, would undermine the NPT.
- Explore ways of bringing Washington back into the deal, including the option of seeking a broader agreement with Iran that is more inclusive of US preferences, i.e. including range limits on Iran's ballistic missiles and a means of de facto extending the time limits of the JCPOA. Whilst not meeting all the conditions outlined by Secretary Pompeo in a speech to the Heritage Foundation on 21 May 2018,³¹ reaching an agreement on some of these propositions seems plausible. Indeed, the E3 and the United States came close to reaching a compromise on said issues before President Trump abruptly pulled out of the JCPOA. As *The New York Times* reported on 12 May, 'After weeks of gruelling negotiations, the United States and Europe had reached consensus on 90 percent of the text in a so-called supplemental agreement, according to people involved in the talks.'³²

Endnotes

1 The author would like to thank external reviewers for their useful comments on draft versions of this text, including Tarja Cronberg, Mark Fitzpatrick, and Benjamin Hautecouverture.

2 The Additional Protocol expands the IAEA's capabilities to verify the correctness and completeness of a state's safeguards declaration. Approved in May 1997 by the IAEA Board of Governors as the Model Additional Protocol, or INFCIRC/540, the Additional Protocol is voluntary and open to all states with a safeguards agreement. To ensure the absence of undeclared nuclear material, the Additional Protocol significantly increases the IAEA's inspection authority, inter alia, by providing the IAEA with:

- information on, and inspector access to all aspects of a state's nuclear fuel cycle;
- Information on, and short-notice inspector access to, all buildings on a nuclear site;
- information about, and inspector access to, other locations where nuclear material is or may be present;
- information about, and mechanisms for inspector access to, fuel cycle related research and development activities;
- information on the manufacture and export of specified equipment and non-nuclear materials, and mechanisms for inspector access to manufacturing and import locations;
- authority to collect environmental samples beyond declared locations.

3 Quoted in Saeed Kamali Dehghan and Daniel Boffey (2018) 'Iran vows to stick with deal after "pesky" Trump's departure', *The Guardian* (online), 8 May, <https://www.theguardian.com/us-news/2018/may/08/europe-denounces-trumps-us-withdrawal-from-iran-nuclear-deal>.

4 Christiane Hoffmann (2018) 'Interview with Iranian Foreign Minister "The Nuclear Agreement Is Not A Love Affair"', *Der Spiegel* (online), 18 September, <http://www.spiegel.de/international/world/iran-foreign-minister-nuclear-deal-hardly-a-love-affair-a-1228474.html>.

5 Ali Vaez (2018) 'The Iran deal is on life support. Can Europe save it?', *International Crisis Group* (online), <https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/iran/iran-deal-life-support-can-europe-revive-it>; Ellie Geranmayeh (2018) 'Europe Must Fight to Preserve the Iran Deal', *Foreign Policy* (online), 23 January, <https://foreignpolicy.com/2018/01/23/europe-must-fight-to-preserve-the-iran-deal/>; Steven Blockmans (2018) 'The Art of Sticking with the Nuclear Deal: Why Europe should defy Trump on Iran', CEPS Policy Brief No. 1/2018 (Brussels: Centre for European Policy Studies), <https://www.ceps.eu/system/files/EU%20and%20TRUMP%20on%20JCPOA%20CEPS%20Policy%20Brief%202018-02.pdf>.

6 BBC News (2018) 'Iran nuclear deal: the EU's billion-dollar deals at risk', 17 May, <https://www.bbc.co.uk/news/world-europe-44080723>.

7 Although the terms 'hardliners' and 'moderates' represent a gross simplification

of Iran's political plurality, they are widely used by observers and Iranian officials to explain the dynamics inside Iran. See Ali Vaez (2018) 'The Iran deal is on life support. Can Europe save it?', *International Crisis Group* (online), <https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/iran/iran-deal-life-support-can-europe-revive-it>; International Crisis Group (2018) 'How Europe Can Save the Iran Nuclear Deal', Crisis Group Middle East Report No. 185 (Brussels: International Crisis Group), <https://d2071andvip0wj.cloudfront.net/185-how-europe-can-save-the-iran-nuclear-deal.pdf>, pp. 9-10.

8 BBC News (2018) 'Iran nuclear deal not dead despite Trump's move, France says', 9 May, <https://www.bbc.co.uk/news/world-us-canada-44049532>.

9 'Rouhani says Iran conditionally will stay in nuclear deal', *The Tehran Times* (online), 8 May 2018, <https://www.tehrantimes.com/news/423376/Rouhani-says-iran-conditionally-will-stay-in-nuclear-deal>.

10 See for example Lars Brozus (ed.) (2018) 'While We Were Planning', SWP Research Paper 5/2018 (Berlin: Stiftung Wissenschaft und Politik), https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2018RP05_bzs.pdf.

11 Lars Brozus (2018) 'Introduction: Improving Foresight in Science and Politics', in Lars Brozus (ed.) 'While We Were Planning', SWP Research Paper 5/2018 (Berlin: Stiftung Wissenschaft und Politik), p. 5, https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2018RP05_bzs.pdf.

12 'EU to consider sanctions on Iran for failed attack plots', *EURACTIV.com*, 20 November 2018, <https://www.euractiv.com/section/global-europe/news/eu-to-consider-sanctions-on-iran-for-failed-attack-plots/>; Matthew Dalton (2018) 'Bags of Cash and a Bomb Plot: Inside a Covert Iranian Operation in Europe', *The Wall Street Journal* (online), 31 October, <https://www.wsj.com/articles/bags-of-cash-and-a-bomb-plot-inside-a-covert-iranian-operation-in-europe-1540978201>.

13 Each State party to the NPT retains the right, under Article X, to withdraw on serving three months' notice 'if it decides that extraordinary events, related to the subject matter of this Treaty, have jeopardized the supreme interests of its country'.

14 According to one official:

Hardliners have accused the Rouhani administration of being naïve and too compromising. They tell us, 'if you had enriched uranium to 3.8 per cent instead of 3.7 in response to U.S. violations, we would not have ended up here'. If we don't react to a hostile joint U.S.-E3 effort to punish us, we will provide the government's critics with more ammunition.

Quoted in: International Crisis Group (2018) 'How Europe Can Save the Iran Nuclear Deal', Crisis Group Middle East Report No. 185 (Brussels: International Crisis Group), p. 9, <https://d2071andvip0wj.cloudfront.net/185-how-europe-can-save-the-iran-nuclear-deal.pdf>.

15 International Crisis Group (2018) 'How Europe Can Save the Iran Nuclear Deal', Crisis Group Middle East Report No. 185

(Brussels: International Crisis Group), p. 10, <https://d2071andvip0wj.cloudfront.net/185-how-europe-can-save-the-iran-nuclear-deal.pdf>.

16 Bozorgmehr Sharafedin (2018) 'Iran warns Trump it might withdraw from Non-Proliferation Treaty', *Reuters* (online), 24 April, <https://uk.reuters.com/article/uk-iran-nuclear-rouhani/iran-warns-trump-it-might-withdraw-from-non-proliferation-treaty-idUKKBN1HV0MW>.

17 Djavad Salehi-Isfahani (2018) 'How Iran will respond to new sanctions', *Brookings Institutions* (online), <https://www.brookings.edu/opinions/how-iran-will-respond-to-new-sanctions/>

18 Ibid.

19 The November 2018 mid-term elections saw the Democrats winning back control of the House of Representatives from the Republican Party. Although the Democrats failed to win a Senate majority, the election results represent a noteworthy setback for the Trump administration. Having received roughly 60 million votes for the House, the Democratic wins were significant according to political analyst Nate Silver in that 'There is not any precedent for an opposition party coming this close to matching the president's vote total from 2 years earlier' (quoted in John Haltiwanger [2018] 'Democrats did something virtually unprecedented in the 2018 midterms, and it says a lot about Trump's unpopularity', *Business Insider* (online), <http://uk.businessinsider.com/democrats-did-something-virtually-unprecedented-in-the-2018-midterms-2018-11?r=US&IR=T>). GOP strategist Rory Cooper noted that the Republican losses are truly significant

because 'You have an economy that's roaring and unemployment that's historically low ... and so you have to look for other indicators for why you'd lose that many seats (quoted in Sabrina Siddiqui [2018] 'The Democratic blue wave was real', *The Guardian* [online], 17 November, <https://www.theguardian.com/us-news/2018/nov/16/the-democratic-blue-wave-was-real>).

20 The United Nations Security Council adopted the most recent sanctions package against the DPRK—Resolution 2397—on 22 December 2017 following the test, on 28 November, of the Hwasong-15 intercontinental ballistic missile—the first North Korean missile capable of reaching the entire US mainland. This Resolution curtails, inter alia, trade (including crude oil and refined petroleum imports) and overseas work for DPRK nationals.

21 On 15 March 2018, Saudi Crown Prince Mohammed bin Salman declared on television that, 'Saudi Arabia does not want to acquire any nuclear bomb, but without a doubt, if Iran developed a nuclear bomb, we will follow suit as soon as possible' (Patrick Wintour [2018] 'Saudi crown prince warns it will build nuclear bomb if Tehran does the same', *The Guardian* [online], 15 March, <https://www.theguardian.com/world/2018/mar/15/saudi-arabia-iran-nuclear-bomb-threat-mohammed-bin-salman>).

22 Michael Hirsh (2018) 'Is the Iran Deal Finally Dead?', *Foreign Policy* (online), 25 September, <https://foreignpolicy.com/2018/09/25/iran-nuclear-deal-last-stand/>.

23 Ibid.

24 Until September 2013, the Supreme National Security Council handled nuclear affairs, which then became the responsibility of the Ministry of Foreign Affairs. The hand-over was regarded as increasing the influence of President Rouhani, who advocated a more moderate approach. See Golnaz Esfandiari (2018) 'Iran's President Puts Foreign Ministry In Charge Of Nuclear Negotiations', *Radio Free Europe Radio Liberty* (online), 5 September, <https://www.rferl.org/a/iran-nuclear-rohani-control/25097180.html>.

25 President Rouhani accused Washington of 'economic terrorism' in a speech to the United Nations General Assembly on 25 September 2018. See Michael Hirsh (2018) 'Is the Iran Deal Finally Dead?', *Foreign Policy* (online), 25 September, <https://foreignpolicy.com/2018/09/25/iran-nuclear-deal-last-stand/>.

26 See Hanns Guenther Hilpert and Oliver Meier (2018) "'Seoul goes nuclear": How South Korea Became a Nuclear Weapon State', in Lars Brozus (ed.) 'While We Were Planning', SWP Research Paper 5/2018 (Berlin: Stiftung Wissenschaft und Politik), p. 31, https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2018RP05_bzs.pdf.

27 For one scenario of how a détente could unfold, see Stephan Roll and Azadeh Zamirirad (2018) 'Détente in the Gulf Region – Saudi Arabia and Iran Agree on Zones of Influence', in Lars Brozus (ed.) 'While We Were Planning', SWP Research Paper 5/2018 (Berlin: Stiftung Wissenschaft und Politik), https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2018RP05_bzs.pdf.

28 Patrick Wintour and Jennifer Rankin (2018) 'EU tells Iran it will try to protect firms from US sanctions', *The Guardian* (online), 15 May, <https://www.theguardian.com/world/2018/may/15/eu-tells-iran-it-will-try-to-protect-firms-from-us-sanctions>.

29 Tass Russian News Agency (2018) 'Russia will work towards ensuring US sanctions on Iran won't abolish nuclear deal – Lavrov', 10 May, <http://tass.com/politics/1003668>; Steven Blockmans (2018) *The Art of Sticking with the Nuclear Deal: Why Europe should defy Trump on Iran*, CEPS Policy Brief No. 1/2018 (Brussels: Centre for European Policy Studies), <https://www.ceps.eu/system/files/EU%20and%20TRUMP%20on%20JCPOA%20CEPS%20Policy%20Brief%202018-02.pdf>.

30 Sandeep Gopalan (2018) 'For Europe, the Iran nuclear deal is all about trade', *The Hill*, 7 May, <https://thehill.com/opinion/international/386540-for-europe-the-iran-nuclear-deal-is-all-about-trade>.

31 These conditions are: cessation of uranium enrichment; never attempt plutonium reprocessing; IAEA access to all nuclear sites; end of ballistic missiles programmes; release of all American hostages; stop support for terrorist groups; disband its IRGC Quds force; and respect the sovereignty of foreign governments rather than interfere in their internal affairs (Mike Pompeo [2018] 'After the Deal: A New Iran Strategy', remarks by Secretary Pompeo at the Heritage Foundation, Washington, DC, 21 May, <https://www.state.gov/secretary/remarks/2018/05/282301.htm>).

32 Mark Landler (2018) 'Clashing Views on Iran Reflect a New Balance of Power in

the Cabinet', *The New York Times*, 12 May,
[https://www.nytimes.com/2018/05/12/us/
politics/trump-iran-bolton-mattis-pompeo.
html](https://www.nytimes.com/2018/05/12/us/politics/trump-iran-bolton-mattis-pompeo.html).

