

A decorative graphic consisting of a grid of dots in various shades of gray and red, arranged in a pattern that suggests a world map or a network of connections.

# Managing Expectations

## Europe and Iran in the Second Year of the Nuclear Deal

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- The Joint Comprehensive Plan of Action (JCPOA), the Iran nuclear deal, has met its key objective: verifying that the character of Iran's nuclear program is and remains, at least for the deal's duration, peaceful.
- There is recognition both in Europe and Iran that many of the expectations that emerged in the wake of the JCPOA remain unfulfilled. The exact nature of each side's concerns is not entirely clear to all involved.
- If the European Union, its member states, and Iran want to safeguard the JCPOA, they must communicate clearly and manage their respective expectations. Moreover, the political framework of the deal will need to be strengthened, a prospect that became a particular challenge with Donald Trump's election as president of the United States.
- Europe faces a potential choice between aligning with its traditional partner, the United States, and adopting a harsher stance towards Iran or maintaining its stated goals of continued implementation of the JCPOA and strengthening of multilateral diplomacy.

The Joint Comprehensive Plan of Action (JCPOA), the Iran nuclear deal, has met its key objective: verifying that the character of Iran's nuclear program is and remains, at least for the deal's duration, peaceful. Developments on the ground, however, have fallen short of meeting several European and Iranian expectations that emerged in the wake of the agreement. The exact nature of each side's respective concerns, however, is not entirely clear to all involved.

If the European Union, its member states, and Iran want to safeguard the JCPOA, they will need to communicate clearly and manage their respective expectations. Moreover, the political framework of the deal will need to be strengthened, a particular challenge with Donald Trump, an outspoken critic of the JCPOA, having succeeded Barack Obama as US president.

Europe now faces the possibility of having to choose to align with its traditional partner, the United States, or maintaining its stated goals of continued implementation of the JCPOA and strengthening of multilateral diplomacy. With regard to the JCPOA, Europe shares a major foreign policy goal with Iran, as well as with China and Russia, but not necessarily with the United States, whose current administration might continue to uphold the deal but has expressed dissatisfaction with the diplomatic approach towards Iran in strong terms.

## A New Chapter in EU-Iran Relations?

Under the JCPOA, whose formal implementation began in January 2016, Iran agreed to limit the scope of its nuclear program and allow for more thorough international inspections of its nuclear facilities. In return, it would receive extensive sanctions relief in the form of the termination of nuclear-related sanctions imposed by the European Union and United Nations and the waiving of US sanctions through presidential waivers requiring regular renewal. The terminated and waived nuclear-related sanctions covered energy, finance, trade, and other issues.

The JCPOA only addresses Iran's nuclear program and related sanctions, but it was hoped in many circles in Europe and in Iran that the agreement would become a springboard towards a new and brighter chapter in

relations between the two sides. As such, the JCPOA gave rise to varied expectations. Senior European and Iranian decision makers have repeatedly referred to the great potential for co-operation in a number of areas. In a joint statement of April 2016, Federica Mogherini, the EU high representative for foreign affairs and security policy, and Mohammad Javad Zarif, Iran's foreign minister, stated the European Union and Iran are »developing cooperative relations in areas of mutual interest to benefit the economic development, human rights, prosperity and well-being of the people of Iran and the EU« as well as »promoting regional peace, security and stability as well as peaceful settlement of regional conflicts through dialogue and engagement.«

In fact, European-Iranian relations have improved considerably since agreeing to the JCPOA in July 2015 and its subsequent implementation, which began 16 January 2016. Numerous high-ranking European delegations have visited Iran, and in January 2016, Iranian president Hassan Rouhani traveled to Paris and Rome, the first visits of an Iranian president to Europe in more than a decade.

The uptick in European and Iranian interaction has translated into growth in economic activity, with trade markedly increasing. In 2016, European exports to Iran rose to 8.3 billion euros, a 28 percent increase over the previous year's level, while imports from Iran totaled 5.5 billion euros, an increase of 345 percent, largely driven by resumed oil shipments. Despite this growth, European-Iranian economic relations remain substantially below pre-sanctions levels. In 2011, the year before the European Union imposed a set of harsh sanctions against Iran, EU exports to Iran amounted to more than 10 billion euros, while imports from Iran stood at almost 18 billion euros.

European-Iranian civil society exchanges have also increased. The number of European tourists to Iran rose notably after the conclusion of the JCPOA. In addition, European and Iranian universities have begun or increased co-operation. As in the economic realm, however, problems remain. For example, an exhibition at Berlin's *Gemäldegalerie* of works from the Tehran Museum of Contemporary Art was intended as a milestone in German-Iranian cultural diplomacy, but it was cancelled at the last minute due to opposition by hard-liners in Iran and critics in Germany.

## Unfulfilled Expectations

Although relations between Europe and Iran have improved, various expectations on both sides remain unfulfilled. Understanding the nature of these unfulfilled expectations is crucial if Europe and Iran want to succeed in preserving the JCPOA. To this end, regardless of how US policy on Iran takes shape under Trump, Europe and Iran will need to manage their mutual JCPOA-related expectations. Thus far, developments have fallen particularly short in the following areas.

*Iran: economic recovery.* With implementation of the JCPOA, Iran became the fastest-growing economy in the Middle East and North Africa. At a time when most countries in the region were struggling with almost chronic stagnation and petroleum producers with low oil prices, Iran's gross domestic product increased by 6.6 percent in the Iranian year that ended 20 March 2017. Meanwhile, inflation in Iran decreased, plummeting from 39 percent in 2013 to 9 percent in 2016. Iran had not experienced single-digit inflation for decades.

A large portion of Iran's increased economic activity, however, stems from the resumption of oil exports. These required little additional labor, therefore resulting in only a few new jobs being created. Unemployment remains high, at 13 percent, according to possibly optimistic official data. For most Iranians, implementation of the JCPOA has not (yet) translated into a substantial improvement in their quality of life.

Officials in Tehran have repeatedly complained that Iran has not been allowed, in their view, to fully reap the economic benefits anticipated when agreeing to the nuclear deal. They accuse the United States of acting against the spirit of the deal, for example by not providing assurances that would allow Europeans to engage economically with Iran and by congressional renewals of sanctions. Fear of secondary US sanctions, those targeting non-US individuals and entities, has thus far prevented European banks from facilitating Iran-related finance (regardless of structural deficits in Iran's banking sector). Tehran criticizes the European Union and its member states for what it argues has only been a cautious return to the Iranian economy.

*Iran: recognition as a regional power.* Iran views itself as standing alone in a region that is anarchic and

in part outright hostile to it. The JCPOA did little to change this perception, which has intensified in recent months.

Historically, Iran's experiences with foreign countries have been traumatizing. Throughout the twentieth century, Iran was repeatedly occupied by the United Kingdom and tsarist Russia as well as the latter's successor state, the Soviet Union (during and after the Constitutional Revolution, 1905–1911, as well as during World War II). In 1953, the US-British-sponsored coup d'état toppled democratically elected prime minister Mohammad Mosaddegh. More recently, during the Iran-Iraq War, 1980–1988, neither the United Nations nor any international power responded to Iran's call for action against Iraq's repeated use of chemical weapons against the Iranian military and civilians.

These experiences have shaped the worldview of Iran's foreign policy makers. As a result, Tehran's approach to the region is in part guided by the objective of preventing a hostile power from taking control in its neighborhood. To this end, along with nostalgia for the past greatness of the Persian Empire, Iran seeks recognition as a regional power.

In this regard, Tehran had hoped that with the conclusion and implementation of the JCPOA, the West would appreciate its interests in the region. Iran, however, continues to find itself subjected to harsh criticism over its engagement in Iraq and Syria as well as in Lebanon and Yemen. Some demands even go so far as to call for Iran to completely disengage from these countries. Tehran, however, remains unconvinced of the rationale for giving up its cards in the region in exchange for an uncertain future with no guarantees for its security concerns.

*Europe: a more constructive Iranian role in the Middle East.* Many European politicians and diplomats had hoped that the JCPOA would lead to a «more constructive» Iranian role in the Middle East. Iran and Russia are the main supporters of Syrian president Bashar al-Assad. According to Brussels and other European capitals, Tehran holds the keys to forcing Assad to either step aside or enter into some form of power-sharing arrangement with the Syrian opposition. Contrary to expectations in this regard, Iran continues to back Assad and assist militarily in the defeat of his opponents.

After the US invasion of Iraq and toppling of President Saddam Hussein in 2003, Tehran aided, and some argue sponsored, a Shia-centered state-building process that has led to the exclusion of most Sunnis from any real power. Moreover, in responding to various forms of Sunni radicalism and terrorism, Iran stepped up its backing of Shia groups in Iraq. This has contributed to the manifestation of sectarian divides in the country. Many in Europe argue that as in Syria, Iran has the power in Iraq to mold a more inclusive state but is falling short in using its influence to this end. Meanwhile, Iran's hostile stance towards Israel remains a grave concern for most Europeans.

Europe, like the United States, is displeased with Iran's testing of ballistic missiles. No legal obligations under international law prohibit Iran from testing ballistic missiles. UN Security Council Resolution 2231, endorsing the JCPOA, «calls upon Iran not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons.» Iran insists that its missiles have not been designed with a nuclear weapons capability. Regardless, many European foreign policy makers view such tests as unnecessary provocations and, hence, counter to the spirit of the JCPOA.

*Europe: moderation in Iran's domestic politics.* Europe recognizes Iran as a potential partner in numerous areas. For example, the European Parliament had endorsed co-operation on trade and investment, environmental protection, action against drug trafficking, nuclear safety and security, as well as fighting the extremist Islamic State group. To fully embrace the potential for co-operation, however, the majority of European leaders would like to see Iran moderate its domestic politics.

Europe had held out some hope that the success of the Rouhani government's moderate and conciliatory approach in international politics, reflected in the JCPOA, would also translate in the domestic political arena. In essence, it was hoped that the elected institutions of the Islamic Republic — the parliament, government, Assembly of Experts, municipal councils, and so on — would be strengthened in relation to institutions not elected by the public — the Office of the Supreme Leader, the Guardian Council — and the political activities of the Islamic Revolutionary Guard Corps. The Rouhani admin-

istration has initiated some positive steps, but worries persist about human rights.

Although Europe co-operates with several states in the Middle East that have democracy deficits and human rights problems, Iran's domestic political situation is a concern that constitutes an obstacle for desired broader engagement.


## Managing Expectations to Safeguard the JCPOA

Expectations in the above areas, which extend beyond the JCPOA itself, continue to be unfulfilled. It is therefore important to keep in mind that the deal's key objective, or expectation, has been met: Iran has reduced its nuclear program and allowed for more thorough international inspections. In doing so, Tehran is providing verifiable assurances about the peaceful character of its nuclear program. At the same time, as agreed, the European Union, the United States, and the United Nations have terminated or waived sanctions against Iran.

Europe's relations with Iran have changed, with the overall atmosphere shifting from a confrontational approach, based on «coercive diplomacy» through sanctions, to a co-operative stance. Europe's Iran discourse today, unlike a few years ago, is no longer about confronting and containing Iran, but about the extent to which co-operation is desirable.

In a sense, that expectations remain unfulfilled in some areas is a testimony to the success of the approach to the JCPOA. After all, the nuclear issue was deliberately separated from other, more complicated issues in the first place to allow for an accord on the nuclear file.

To safeguard the JCPOA and possibly realize its potential as a springboard for progress in other policy areas, it is important to buttress its political framework, that is, relations between Europe and Iran. Unfulfilled expectations will not be overcome easily, and disagreements on certain issues will likely remain. Nevertheless, there are numerous areas in which both sides recognize the potential for co-operation. The momentum generated by the JCPOA could be used to take advantage of this potential. This would inherently strengthen the political framework of the deal.



## Will Europe Need to Choose Between the JCPOA and the United States?

The Trump administration's approach towards Iran has dramatically complicated matters, threatening the future of the JCPOA itself. Iranian-US relations have already regressed to a more confrontational stance, and the overall positive momentum that developed parallel to the conclusion of the JCPOA has been lost. At the same time, this has led to a new development in foreign policy.

With regard to the JCPOA, Brussels today finds itself sharing a crucial foreign policy objective — safeguarding the deal — with Iran, China, and Russia, but not the United States. In a more fundamental sense, the issue of the JCPOA presents Europe with a fundamental challenge. Often criticized as ineffective, the Iran nuclear negotiations marked the first and thus far only diplomatic success of foreign policy conducted by the European Union.

Under the EU umbrella, two archenemies, Iran and the United States, were able to engage diplomatically and develop a negotiated solution to the problematic issues surrounding Iran's nuclear program. Europe had clear objectives in regard to the JCPOA, unlike with most other foreign policy files, and its External Ac-

tion Services proved capable in translating these into policy.

During the Obama administration, the European Union's approach had been aided by Washington sharing the same goal of finding a diplomatic solution to the Iranian nuclear file. Today, however, with Trump in the White House, the question for Europe is whether to maintain its current approach to the JCPOA and the spirit of multilateral diplomacy and also possibly seeking closer co-ordination with China and Russia to ensure its objectives.

Meanwhile, these developments have led Tehran towards a new appreciation of Europe. Iran no longer sees the European Union simply as a platform or cover enabling Iranian-US diplomacy, but as an independent and important foreign policy actor in its own right. Iranian presidential elections scheduled for 19 May 2017 are unlikely to change this outlook dramatically, even if Rouhani is not re-elected. Rather, Europe's approach — either aligning with the United States and adopting a harsher stance towards Iran or pursuing an independent Iran policy — will be decisive.

Against this backdrop, for the JCPOA to survive, both Europe and Iran will need to recognize the complex set of expectations constraining their respective approaches to the accord and address them.



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