



## Better Together

### Brexit, the E3, and the Future of Europe's Approach towards Iran

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April 2018

- The E3 – comprising France, Germany, and the UK – has become a cornerstone of international diplomacy towards Iran. In 2003, the E3 initiated negotiations with Tehran to address the crisis over the Iranian nuclear issue, and was subsequently joined by the EU, as well as world powers China, Russia, and the US (altogether forming the E3/ EU+3). After years of nuclear diplomacy and international sanctions, the Iran nuclear deal – the so-called Joint Comprehensive Plan of Action (JCPOA) – was concluded in July 2015. The E3 enabled the EU to play a fundamental role in a major political issue, thus also triggering the support for the initiative by non-E3 countries within the EU.
- From the European point of view, the JCPOA marked a constructive solution to the international stand-off over Iran's nuclear programme. However, the change in the US presidency from Obama to Trump, who is an emphatic opponent of the nuclear deal, has made matters dramatically more complicated. In January 2018, the US presented Europe with an ultimatum to »fix« what Washington considers to be the JCPOA's flaws. In March, the US Secretary of State and the National Security Advisor were replaced by known Iran hawks. Complicating matters even more, the E3 will also need to take into account Brexit's implications for the format.
- Remarkably, there is a strong consensus that the E3 format shall and will be maintained, regardless of Brexit. Seeking to convince the US that the deal is advancing political stability in the Middle East, Europe considers transatlantic co-operation to be vital – both to ensure the survival and full implementation of the deal. Europe maintains that meaningful progress can be realised most effectively through dialogue with Iran. To address concerns outside the JCPOA, the E3 plus Italy entered into a »Structured Dialogue« with Iran in January.

The European Union (EU) and the »E3« – comprising France, Germany, and the United Kingdom (UK) – have played a central role in the negotiation process with Iran, which led to the so-called Joint Comprehensive Plan of Action (JCPOA), the nuclear deal announced in July 2015. While the agreement has been implemented thus far by all sides involved – the E3, Iran, the United States (US), Russia, and China – for over two years, its long-term survival currently raises significant challenges for the E3 and the EU.<sup>1</sup>

First, US President Donald Trump is exerting pressure to »fix« the deal's perceived weaknesses and threatening to cease US implementation of its obligations – possibly leading to the collapse of the JCPOA itself. Over the past year, this position has engendered an unprecedented level of uncertainty about the future of the agreement and has led the E3 and the EU to take on, once again, their mediating role between Iran and the US in an attempt to resolve the crisis and avoid a military escalation. With the deadline of 12 May 2018 set by Trump for a solution to be reached, the E3 is faced with a limited amount of time and a tall order.

Further, the E3 will also have to consider the fact that the UK's prospective withdrawal from the EU raises questions of the format's future and the EU's approach towards Iran and the nuclear deal.

This paper explores how these challenges are perceived in Germany, France, and the UK and what steps the three countries are likely to undertake to address each of them. The paper's findings are based on three workshops in Berlin, London, and Paris – organised by FES, IRIS, and RUSI – where experts and professionals from the respective policy communities were brought together to discuss the challenges the E3 countries are facing and their likely reaction.

## The E3: An Unusual but Successful Format

Over the past decade, the E3 has become a cornerstone of international diplomacy. Although considered to be very effective and successful by its members, the format itself is rather unusual.

The E3 dates back to 2003, when France, Germany, and the UK initiated negotiations with Iran to address the crisis over the country's nuclear issue. This was preceded by revelations earlier the same year that Iran was conducting previously undisclosed reprocessing and enrichment activities.

In light of the international concerns over the nature of Iran's nuclear programme and in an attempt to avoid a military escalation of tensions led by the US, the foreign ministers of the E3 travelled to Tehran in October 2003 to find a solution. The trip resulted in the Tehran Declaration, a non-binding agreement through which Iran agreed to suspend its activities in exchange for the recognition of its right to enjoy the peaceful use of nuclear energy in accordance with the Non-Proliferation Treaty (NPT), as well as economic and technological cooperation with the EU once international concerns were fully resolved.

One reason the E3 managed to defuse a potential crisis was the format it adopted: the decision was taken to act outside the EU Common Foreign and Security Policy (CFSP), thus circumventing the potential deadlocks in the formal decision-making process, because a union of fifteen member states – each with different views and national interests – was deemed ill-equipped to act quickly and jointly.

The High Representative for CFSP, Javier Solana, was invited to join only in late 2004, when the Tehran Declaration risked collapsing and the E3 realised it needed to integrate the whole EU as part of the negotiation process in order for these to succeed. This led to a second deal with Tehran, known as the Paris Agreement, under which Iran continued to suspend its activities. Solana's inclusion meant that he became the point of contact for Tehran on the nuclear issue; it also addressed some of the concerns of the EU member states excluded from the groups, particularly in terms of information sharing. However, the E3 *de facto* maintained its centrality in the decision-making process. This continued to be the case even when the format changed further.

Once Iran ceased to fulfil its obligations under the Paris Agreement in January 2006 – following the election of President Mahmood Ahmadinejad in 2005 – the US, Russia, and China joined the E3/EU. This led to what has since been known as the E3/EU+3 (or P5+1, referring to

1. Special thanks are due to Cornelius Adebahr and Azadeh Zamirrad for their valuable contributions to the project.

the permanent five members of the UN Security Council plus Germany). The group agreed to implement the so-called dual-track policy, combining diplomacy with sanctions and triggering the referral of the dossier to the UN Security Council. Even in the newly expanded format, the E3/EU always maintained a key bridge-building role between Iran and the US, enabling the two sides to engage through the format despite the absence of diplomatic relations between the two countries since the 1979 Iranian revolution. It also managed to coordinate the positions of all the E3/EU+3 countries – ultimately facilitating the continuation of the talks even when tensions were high, and progressively leading to the JCPOA more than twelve years after the negotiations initially started.

The E3 thus constituted a format that lasted for over a decade, endured potential crises, survived changes in the overall composition of the negotiating group, and, most importantly, achieved the set goals: avoiding the weaponisation of Iran's nuclear programme and a military escalation of the crisis. The group also indirectly enabled the EU to play a fundamental role in a major political issue, thus also triggering support for the initiative by non-E3 countries within the EU. Hence, it is not surprising that the group continues to be perceived as key in guaranteeing the survival of the nuclear deal.

### The E3 and the JCPOA: Engaging Iran, Avoiding War

From the European point of view, the JCPOA itself marked a *constructive solution to the international stand-off over Iran's nuclear programme*. At its core, the agreement stipulates a reduction of Iranian nuclear activities and international inspections of nuclear facilities, in exchange for the lifting of nuclear-related sanctions by the EU, US, and UN. In doing so, the JCPOA ensures that the breakout time – the period Iran would need to build a nuclear bomb, if it decided to do so – is a minimum of one year, for as long as the deal is implemented. Since its adoption in 2015, it has defused tensions that previously threatened to result in US- or Israel-led military action.

Both the E3 and the EU maintain the JCPOA is working. Since implementation of the deal in January 2016, the International Atomic Energy Agency (IAEA) has confirmed Iran's compliance on ten different occasions. Meanwhile, for Iran, sanctions relief has translated into

noteworthy economic growth, and the country became the fastest-growing economy in the entire Middle East and North Africa region in 2016, according to the International Monetary Fund. Similarly, European-Iranian trade has expanded considerably.<sup>2</sup>

While acknowledging these developments, Europe also finds that numerous *expectations* that emerged in the wake of the JCPOA *remain unfulfilled* for both sides. Europe hoped the JCPOA would lead to what European officials often refer to as a *»more constructive« Iranian role* in the Middle East, particularly in countries such as Syria, Iraq, and Yemen. For its part, Iran hoped the JCPOA would lead to *recognition of the Iranian role and interests* in the Middle East and parallel to this *expected much greater trade and investment*, especially by European countries. In particular, there is discontent in Tehran because thus far no major European banks are facilitating transactions with Iran. This effectively curtails Iran's efforts to reconnect with the global economy by hampering much sought-after European investment due to lack of finance.

Concerning the obstacles to deepening European trade with Iran, Europe's challenges stem from across the Atlantic. Essentially, the reluctance of European and other international banks to facilitate Iran-related transactions is related to the still existing US sanctions against Iran, as well as uncertainty given the US position on Iran. Prior to the JCPOA, European banks faced harsh fines – amounting to several billion US dollars – for violating US sanctions against Iran. In spite of the deal and the lifting of US nuclear-related sanctions, EU financial institutions remain concerned about violating still existing non-nuclear related US sanctions against Iran, with almost no assurances and clarifications provided by the US to alleviate these concerns.

Matters have become dramatically more complicated with the change in the US presidency from Barack Obama to Donald Trump, which coincided with the first anniversary of the JCPOA's implementation in January 2017. Trump, an outspoken opponent of the nuclear deal, both before and after his election, has on different occasions labelled the JCPOA the *»worst deal ever«* and an *»embarrassment to the United States«*. In October 2017, the

2. According to the European Commission, compared to 2015, EU exports to Iran in 2016 grew by 27 per cent, whilst imports (mostly oil) even increased by 347 per cent.

Trump administration announced it would decertify the JCPOA, arguing US sanctions relief was not proportionate to the steps taken by Iran to curb its nuclear programme. This was done despite the assessment by the IAEA that Iran complied with the deal. Shortly after, in January 2018, Trump presented Europe with an ultimatum to »fix« what in his view amounts to the JCPOA's »disastrous flaws«, otherwise, the US would withdraw from the deal and reimpose US nuclear-related sanctions.

Recent changes in the US administration have further increased already substantial fears that the US will abandon the JCPOA. In contrast to their predecessors, the newly appointed Secretary of State (Mike Pompeo) and National Security Advisor (John Bolton) are known to be very critical of the nuclear deal, similarly to Trump, and have a hawkish stance on Iran.

In any case, the prospect of the US withdrawing from the JCPOA is real. Yet even if the US remains committed to the deal, tensions surrounding its full implementation will likely endure, in light of the Trump administration's increasingly tough approach to Iran.

## Challenges from across the Atlantic: Europe's Attempt to Save the JCPOA

Against the backdrop of these recent developments, the E3 countries are confronted with numerous challenges. Can the very format itself be maintained after Brexit? What options are available to the E3 and Europe to save the JCPOA, both vis-à-vis Iran and the US? Last but not least, can the E3 and the EU find a balance between a strong commitment to the JCPOA, genuine European concerns regarding Iranian policy in the region, and the desire to keep the US committed to the JCPOA by word and deed?

Interestingly, there is a strong consensus among the E3 countries that *the format shall and will be maintained*, regardless of Brexit. This is quite remarkable. Generally, the EU and its member states are taking a rather explicit stance: post-Brexit cooperation with the UK will not be unconditional. Even after Brexit, the UK is being asked to accept rules and principles established by the EU in order for it to enjoy the benefits of cooperation (similar to Norway and Switzerland). These conditions do not appear to apply to the Iran policy of the E3 and EU.

France, Germany, and the UK are unequivocally stressing the value of the E3 format to the EU's Iranian policy. This is the result of two factors. On the one hand, the nuclear deal, especially in the volatile situation in the Middle East, is of utmost importance to European stability and security, as demonstrated by the fact that the E3 countries were the first that tried to find a diplomatic solution to the crisis. On the other hand, coordination of Iranian policy among the E3 countries is considered to have been very effective for more than a decade, strengthening the *European position* in all matters related to Iran. Concerns may arise as to why a country outside the EU (the UK after Brexit) should be involved so prominently in European foreign policy. At least for now, however, the EU and its member states generally seem to appreciate the benefits of E3 coordination over these concerns.

The coordination between the E3 to save the deal after Trump's ultimatum has also been highlighted as efficient, despite the challenges faced. Building on what they consider to have been very successful experiences, Berlin, London, and Paris are aiming to *deepen transatlantic cooperation on the JCPOA* through the E3. A perceived joint US-European interest in the stability of the Middle East constitutes the basis for this approach. The E3 countries are convinced that the JCPOA contributes to the region's security. In this reading, a collapse of the JCPOA would contribute substantially to destabilising the region, weakening the NPT, and making Iran a more hostile, if not belligerent country. Moreover, should the US withdraw from the JCPOA while Iran abides by its commitments, this would leave the transatlantic alliance divided at a time when joint action would be crucial in order to serve the interests of both sides.

The rationale for Europe's objective to strengthen and promote the full implementation of the JCPOA is the goal of *advancing political stability in the Middle East*. Commercial interests are less important and do not account for the long-standing diplomatic efforts on behalf of the highest levels of European politics. To put matters into perspective, according to the European Commission, less than 0.5 per cent of Europe's foreign trade is with Iran.<sup>3</sup>

3. Similarly, the E3 countries' trade with Iran also amounts to less than 0.5 per cent.

Nevertheless, the E3 acknowledges that *economic relations with Iran are central to making the JCPOA work*, because at its core, the JCPOA is about Iran enjoying the benefits of international trade in exchange for limiting its nuclear programme. Europeans are convinced that for Iran to abide by the deal, Tehran will need to see progress on the economic front.

As such, for the EU and the E3, *trade with Iran is not an end but a means* for realising the JCPOA's overall objective and keeping Iran on board with its implementation. In this regard, discussions in the US on whether to impose/reimpose sanctions on Iran are causing worries in Europe. This is particularly the case when it comes to extraterritorial sanctions affecting the EU's economic relations with Iran. For as long as Iran fulfils its commitments under the JCPOA, the E3 are convinced that the *re-imposition of nuclear sanctions would constitute a violation of the JCPOA*. As this would threaten to lead to a collapse of the JCPOA, the re-imposition of sanctions is considered to be detrimental to the Middle East's stability.

Against this backdrop, the E3 and the EU have begun developing options in case the US withdraws from the JCPOA. These include, amongst others, the introduction of EU blocking regulations that aim to prevent the implementation of extraterritorial US sanctions in Europe and protect EU firms doing business in Iran. Furthermore, the EU is discussing access to emergency credit lines for European companies trading with Iran, should the US withdraw from the deal.

While Europe is preparing alternatives, its priority is to *engage Iran based on a strong transatlantic partnership*. As in the past, Europe is ready to protect what it considers to be its interests: making trade with Iran work in order to make the JCPOA work. Nevertheless, the EU is convinced that joint US-European cooperation on Iran would be substantially more effective.

In particular, Europe considers transatlantic cooperation to be vital, in order to both *ensure the survival and full implementation* of the deal and *address weaknesses of the JCPOA as perceived by the US*. The E3 and the EU are trying to address the US concerns with regard to several aspects related to the JCPOA and beyond. These concerns comprise the JCPOA's *sunset clauses* (the expiration of the JCPOA's timelines after which restraints


on Iran's nuclear programme will end), the terms under which inspections can take place in Iranian nuclear sites, as well as questions surrounding Iran's *ballistic missiles programme* and *regional policy* (neither of which are part of the JCPOA).

In any case, the E3 and the EU *strongly oppose a re-negotiation of the deal*, believing that this would open a Pandora's box with increased demands on Iran quite likely inviting more demands *from* Iran. It does not seem to Europe that a middle ground can be found in the current political climate, especially since it took more than a decade of negotiations to reach a deal.

To address concerns outside the JCPOA, *Europe entered into a »Structured Dialogue«* with Iran in January 2018, the purpose of which is to address issues of concern outside the JCPOA – in particular, the situation in the Middle East. Joined by Italy, in addition to the E3 countries, this new European initiative is attempting to build on the positive experience of the format that led to the JCPOA. In an attempt to demonstrate to the Trump administration that US concerns regarding Iran are being taken seriously, the E3 reportedly also entertained the idea of fresh sanctions against Iran over the country's ballistic missile programme and the country's role in the war in Syria. At the same time, an intra-EU agreement on this has still not been reached.<sup>4</sup>

On both the JCPOA and beyond, the EU maintains that *meaningful progress can be realised most effectively through dialogue* with Iran. Europe is convinced that a solution to the nuclear issues and the numerous crises in the Middle East can only be found *with* Iran, not against the country. In order to succeed with the dialogue, Europe holds that the JCPOA will first need to become a success story. Only the successful and comprehensive implementation of the JCPOA will make Tehran realise that Iran's interests are best served through engagement with the West, not confrontation. Equally, only a successful implementation of the JCPOA can convince Tehran to possibly extend the deal beyond its current expiration date – similar to the NPT that was renewed indefinitely after the initial first agreement, which was limited in time, had been considered a success.

4. The proposal for new sanctions will only be discussed in the next meeting of the Foreign Affairs Council in April, and it is still not clear whether it would gain the support of all 28 member states.



In any event, *the expiration of JCPOA provisions between 2026 and 2031 will not be the end of the Iranian nuclear story*. Recognising this, the EU and the E3 are convinced that dialogue is the best way forward to address all concerns surrounding the JCPOA and beyond. From the European perspective, this dialogue would ideally be bolstered by taking place with the US on board – i. e. within the framework of a strong transatlantic alliance. For its part, regardless of Brexit and all other challenges, the E3 remains decidedly committed to developing Iranian policy together – convinced that this will strengthen the European position with regard to all actors involved.



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This publication is printed on paper from sustainable forestry.



ISBN 978-3-96250-089-4