

# Britain's Iran dilemma

June 2019



## KEY POINTS

- US sanctions have intensified and tensions have escalated in the Gulf between Iran and the US and its Gulf Arab allies. This led Iran to announce on 8 May that it would no longer comply with certain commitments in the Joint Comprehensive Plan of Action (JCPOA) nuclear agreement. Iran also threatened to cease compliance with more commitments if its demands were not met within 60 days.
- Defusing the tension has become the most pressing issue for the UK, France and Germany (the so-called E3). But they must look beyond the immediate crisis to address the long term threats presented by the inherent weaknesses of the JCPOA.
- The Iranian Nuclear Archive, uncovered by Israeli intelligence in 2018, confirms that Iran intended to produce nuclear weapons, that it lied systematically, and that it retained the know-how to produce nuclear weapons.
- The UK, France and Germany should work to keep Iran within the nuclear deal and ensure that Iran does not exceed JCPOA limits on its stocks of low enriched uranium and heavy water. But this must be combined with strict enforcement of all the JCPOA's terms including inspection of undeclared sites, and newly revealed suspect sites as well as developing a more robust response to Iranian missile testing and proliferation, including considering new sanctions.
- The long-term priority must be to ensure that Iran does not acquire the fissile material that could be used in a nuclear weapon, even after restrictions in the JCPOA expire. Together with Germany and France, the UK should make clear that stockpiling fissile material in quantities sufficient for a bomb is inconsistent with Iran's JCPOA commitments never to develop nuclear weapons and would result in renewed sanctions.
- The UK should seek to narrow the policy gap with the US by resuming intensive dialogue to address the immediate crisis, address the long-term weaknesses in the JCPOA and tackle Iran's other problematic regional activities including its threats to Arab Gulf allies.
- A key question for the UK is whether Secretary of State Mike Pompeo's 12 points can become an opening position for negotiations, how the US

might respond to an Iranian approach and how the UK can help facilitate that. The UK should explore whether the current situation can be leveraged into negotiations and find an agreed way forward.

- If this is achieved, the UK should evaluate whether the US and E3 can deal with the weaknesses in the nuclear agreement and how to tackle Iran's malign activities, including missile testing and transfer of precision missile technology.
- The UK should also reaffirm its commitment to its Gulf and regional allies that it will stand with them to address security threats posed by Iran.

## UK-IRAN RELATIONS IN CONTEXT

[Britain has a long and complex history with Iran.](#) In the nineteenth century, Britain saw Iran as part of an important buffer between Russia and other European rivals, and its valuable imperial possessions in India. After the discovery of oil in Persia by British prospectors in the early 1900s, the establishment of the Anglo-Persian Oil Company and the conversion of the British navy to run on oil, Iranian oil became of great strategic significance. Together with the Soviet Union, Britain occupied Iran during the Second World War. British attempts to maintain control over oil resources was a source of resentment for Iranian nationalists in the 1950s. In 1953, Britain coordinated a plot with the US to oust the popular nationalist prime minister Mohammad Mosaddegh.

[This historical legacy contributes to popular Iranian resentment with Western \(especially British and American\) interference](#) – one of the sentiments on which the Islamic Republic has legitimised itself. In Iranian revolutionary Islamist rhetoric, the UK is often closely associated with the 'Great Satan' of the US, as a malign Western actor bent on undermining Iran and weakening the Islamic world. This history of mistrust is exacerbated by tense relations with Iran since the 1979 revolution.

[In 1980, after the 1979 revolution and the US embassy hostage crisis, Britain closed its embassy in Tehran.](#) It was reopened briefly in 1988 before the Rushdie affair led to another break in diplomatic relations. Supreme Leader Ayatollah Khomeini issued a Fatwa calling for the death of British-Indian writer Salman Rushdie, due to offence caused to some Muslims by Rushdie's book *The Satanic Verses*. Relations were restored over

time, but were strained again in 2007 after Iran seized 15 British sailors and marines in disputed waters. Then in 2011, as the UK took a leading role in escalating international sanctions in response to Iran's nuclear programme, the UK embassy was closed again after it was ransacked by a pro-regime mob. The UK restored full diplomatic relations in 2016.

The Islamic Republic has posed a major challenge to UK interests since its inception in 1979. The Iranian revolutionary regime is founded on a radical Islamist ideology, which frames Western influence as culturally toxic and politically malign. The UK's regional agenda has been defined by its exceptionally close relationship with Sunni Gulf monarchies – several of which were once formally under UK protection – who perceive Iran to be a direct threat to their security and stability. This was reflected in the declaration by Prime Minister Theresa May to a 2016 Gulf Cooperation Council (GCC) summit that “Gulf security is our security” and a commitment to work with the GCC to contain the threat posed by Iran.

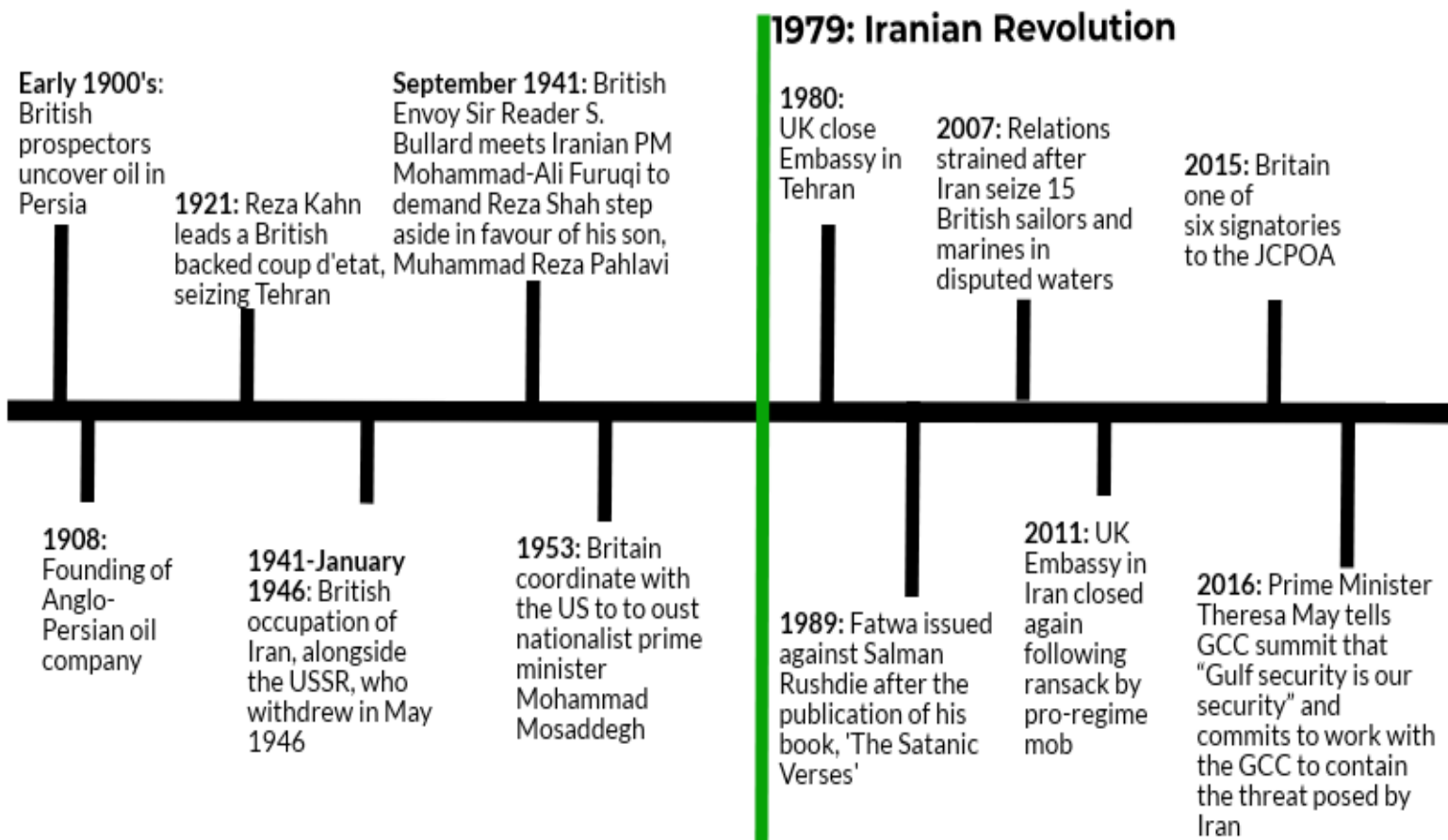
Iran promotes a destabilising and anti-Western

agenda throughout the region, using the Iranian Revolutionary Guard Corps (IRGC) to support a network of proxies, which it calls the ‘axis of resistance’. This includes the Assad regime in Syria, Hezbollah in Lebanon, Hamas and Islamic Jihad in the Palestinian Territories, Shia proxies in Iraq and Houthi rebels in Yemen.

The UK exports more goods and services to the Arab world than to China, or to Brazil and India combined. The UK also receives significant sums of inward investment from the Gulf Arab states and is keen to remain the leading European power in the region. The Gulf is also more economically significant in the context of Brexit. The region will remain a key source of global energy supplies for the foreseeable future, as Britain's oil and gas import dependency is projected to rise from 38 per cent in 2018 to 69 per cent in 2035. The UK has also been consistently more closely aligned with US policy in the region compared to France.

British trade with Iran is low, and much lower than that of France or Germany. In 2018, the UK exported €188m of goods as compared to Germany (€2.7bn) and France (€900 m).

# Britain and Iran



Among the European powers, Britain has generally taken the lead in promoting pressure on Iran and taking steps to counter its regional agenda. During the Obama administration Britain led within the EU in promoting crippling sanctions on Iran, in support of a US pressure strategy, which eventually contributed to Iran seeking a negotiated agreement. Once John Kerry took the lead in negotiations on behalf of the P5+1, the UK fell into line behind Kerry's deal.

In February 2019, the UK went beyond other EU members by extending its proscription on Hezbollah to cover the entire organisation, rejecting any distinction between the 'military wing' (which is subject to EU proscriptions) and the political party.

An ongoing sore in British-Iranian relations is the continued imprisonment of Nazanine Naghari Ratcliffe, who was imprisoned in Tehran in 2016 after being convicted of espionage and sentenced to five years in prison. UK Foreign Secretary Jeremy Hunt has called the ongoing detention unacceptable, adding that her treatment at the hands of Iranian authorities is a fundamental breach of human rights. In March 2019, Zaghari-Ratcliffe was granted formal diplomatic protection by the British Government.

## ACUTE DILEMMAS FOR THE UK VIS-À-VIS IRAN

The JCPOA is facing an acute crisis alongside a sharp escalation in tensions in the Gulf between Iran, and the US and its Arab allies, presenting the UK with significant policy dilemmas. The UK was already caught in a balancing act between its varying commitments which include: maintaining the JCPOA in concert with Germany and France in order to prevent Iran attaining nuclear weapons capability; countering Iran's harmful regional agenda; and maintaining a close transatlantic alignment. These tensions have been further exacerbated by Brexit.

Trump's May 2018 decision to withdraw from the JCPOA and impose a comprehensive economic blockade has imposed severe economic pressure on Iran, with the declared goal of forcing Iran to meet US demands or face economic collapse. The sanctions cut off access to the US economy and secondary sanctions have forced European companies to cease trade with Iran. The policy of 'maximum' pressure was escalated in April 2019 with the [withdrawal of waivers](#) for all countries

still buying Iranian oil, and the decision to designate the IRGC as a terrorist organisation.










The latest round of US sanctions includes removing some waivers on Iran's civilian nuclear programme, preventing Iran from exporting the enriched uranium it currently produces in line with the deal. This has been used as a pretext by Iran for its decision to breach the restrictions on quantities of stockpiled enriched uranium and heavy water. The US appears determined to force Iran to stop enriching, but given that Iran is highly unlikely to comply, removing the mechanism for Iran to export their enriched uranium sets up a more immediate crisis as their stockpile pushes up against JCPOA limits.

The [Iranian announcement in May 2019 of plans to end compliance with some JCPOA commitments, and the increased threat of conflict in the Gulf, presents the UK, along with France and Germany, with difficult choices](#). There is a strong incentive to maintain the JCPOA and the albeit limited benefits of the temporary restrictions it imposes, and to avoid complete collapse that could increase the pace of escalation rapidly. This comes against the backdrop of military escalation, with the US bolstering its forces in the Gulf in response to intelligence of increased threats, and sabotage of Arab Gulf tankers widely attributed to Iran. However, the deal is not an end in itself, and accommodating Iran could invite further breaches and a more rapid weakening of an already weak deal.

Iran's decision to depart from elements of the deal reflects disappointment with European efforts to help Iran circumvent sanctions. It is intended to pressure the Europeans to step up their efforts – such as establishing a trade mechanism (INSTEX) to help Iran mitigate the effects of US sanctions – as well as to push back on US pressure. The decision to immediately stop compliance with restrictions of enriched uranium and heavy water stockpiles is also justified by Iran's practical difficulty in exporting enriched uranium following the US decision to cancel waivers on Iranian civilian nuclear activities. In the second phase, after 60 days (early July), Iran is threatening to stop its compliance with limitations on the level of uranium enrichment and the adaptation of the Arak heavy water reactor, which was intended to make the reactor unsuitable for the production of weapons grade plutonium.

The ultimate goals and intentions of the Trump administration's Iran policy have been subject to debate. President Trump himself seems focussed

# Sanctions Imposed by the US on Iran (2018)

August 6th	November 4th
 <p>Iran's trade in gold or precious metals</p>	 <p>Transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions</p>
 <p>The direct or indirect sale, supply, or transfer to or from Iran of coal and metals such as aluminium and steel*</p>	 <p>Petroleum-related transactions, including the purchase of petroleum, petroleum products, or petrochemical products**</p>
 <p>Iran's automotive sector</p>	 <p>Iran's port operators, and shipping and shipbuilding sectors</p>
 <p>Significant transactions related to the purchase or sale of Iranian rials</p>	 <p>Iran's energy sector</p>
 <p>The purchase or acquisition of U.S. dollar banknotes by the Government of Iran</p>	

\*The US imposed additional sanctions on Iran's metal industries under Executive Order 13871

\*\*The US initially handed out waivers for some countries purchasing Iranian oil. These were ended in May 2019

on dismantling and replacing Obama's hated nuclear deal and less concerned with the regional agenda – having made clear his desire to withdraw US troops from Syria. Secretary of State Mike Pompeo however set out in May 2018 a broad list of twelve demands for any future negotiation. National Security Adviser John Bolton appears ready for military brinkmanship, whereas Trump appears resistant to long-term military commitments in the Middle East, especially as he starts a re-election campaign. Bolton has been a [vocal advocate](#) of regime change, whereas Trump has repeatedly called for direct talks with Iran, implying that the goal is to change the regime's behaviour, not the regime itself (a position echoed during Trump's recent visit to Japan). Conversations with US officials do not produce a clear picture of whether the US would rather Iran stay in the deal, remaining within its confines whilst facing intense economic pressure, or to leave it, which would finally destroy the deal but could lead to an acute crisis. When the US pulled

out of the nuclear deal, it [chose](#) not to exercise its option to unilaterally trigger the snapback of all sanctions via the UN. A number of Democrat presidential candidates have indicated that they may seek to return to the JCPOA, should they be elected, giving Iran an incentive to remain in the deal and hope for a favourable turn in US policy after the 2020 US election.

[The paper suggests a number of possible UK responses to these dilemmas](#), against the backdrop of Brexit and in light of the escalating threat posed by Iran to UK interests in the Middle East since the JCPOA, the context of US policy, and the policy positions of France and Germany.

## THE JCPOA'S TEMPORARY RESTRICTIONS DID NOT CURTAIL IRANIAN NUCLEAR AMBITIONS

[The pattern of Iranian actions in negotiating, signing, and implementing the JCPOA, do not suggest it has curbed their ambition to reach nuclear](#)

weapons capability, but an attempt to maintain as much of their capability as possible whilst easing sanctions. Iranian strategy has been to stick with the deal and wait for nuclear restrictions to sunset over time and for international pressure and scrutiny to weaken. After the US left the deal in May 2018, Iran tried to exploit the transatlantic wedge and work with the Europeans to circumvent US sanctions and buy time. They also appear hopeful that Trump might be replaced in 2020 by a more accommodating president.

An Iranian nuclear archive acquired by Israeli intelligence in early 2018 and shared with the UK, US, France and the IAEA, revealed that Iran developed complete designs for nuclear warheads prior to the JCPOA, and secretly retained them after the JCPOA in clear breach of NPT commitments. The archive underlines the imperative to prevent Iran acquiring enough fissile material for a bomb and proves that Iran lied systematically about the military dimensions of its nuclear programme. That programme was pursued intensively up until 2003, when Iran came under increased scrutiny and certain activities continued in a more decentralised manner after 2003. The documents show that Iran had completed designs for a nuclear weapon and retained that know-how in its archive, the very existence of which is a violation of the NPT. Nuclear proliferation expert David Albright of the Washington-based Institute for Science and International Security – one of several independent experts shown part of the archive – has concluded: “It’s hard in the big picture to see how storing and curating an extensive nuclear weapons archive is consistent with Iran’s pledge that under no circumstances will it seek nuclear weapons. The new information raises fundamental doubts about whether Iran is complying with its comprehensive safeguards agreement, the Associated Additional Protocol, the Iran nuclear deal and even the Nuclear Non-Proliferation Treaty.” In April 2019 it was reported that the IAEA had inspected a site in Tehran indicated by Israeli Prime Minister Benjamin Netanyahu in his September 2018 UN General Assembly speech to be a nuclear warehouse, and that sample results would be available in June.

The archive underlines one of the challenges in evaluating Iranian compliance with the JCPOA and cooperation with the IAEA. Leading independent experts have expressed concern that because the IAEA reports are extremely vague it is impossible to assess if Iran is fully complying with all aspects of the deal, especially given that Iran never

admitted the truth about its programme to begin with. Whilst the Joint Commission of the JCPOA (the E3+2 and Iran) state that Iran is abiding by its commitments, the IAEA’s reports are vague on certain key issues. The IAEA’s February 2019 report states ambiguously that: “Evaluations regarding the absence of undeclared nuclear material and activities for Iran remained ongoing.” IAEA Director General Yukiya Amano, when asked in a March 2019 press conference about the possible military dimensions of the Iranian nuclear programme, replied vaguely by saying: “I do not speculate.” Iran’s enrichment R&D plan, which defines some of its enrichment limitations according to the JCPOA, has never been formally made public.

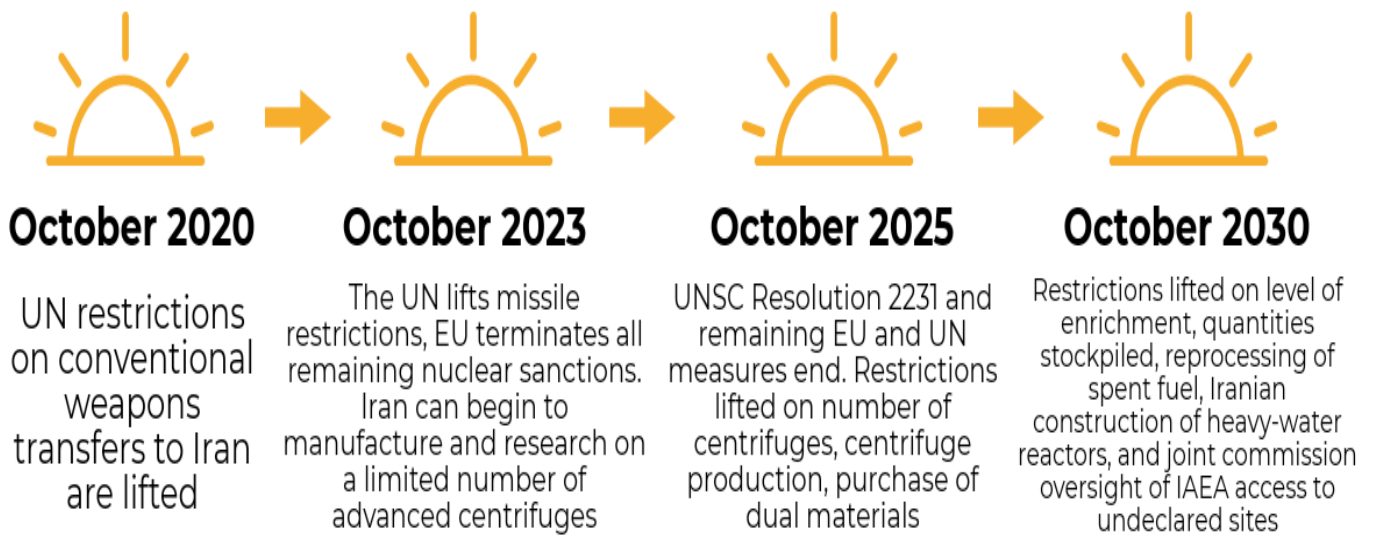
Ali Akbar Salehi, the head of the Atomic Energy Organisation of Iran boasted how “the nuclear talks have left so many breaches in the agreement for Iran to exploit,” in an Iranian televised interview in January 2019. He explained how Iran had purchased spare pipes for the Arak reactor to replace ones that the P5+1 parties were insisting must be destroyed as part of the deal.

Britain declared in December 2018, along with France and Germany, that recent Iranian testing of medium range ballistic missiles that could carry nuclear warheads are “inconsistent” with UN Security Council Resolution 2231 which underpins the JCPOA. The UN resolution calls on Iran “not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technology” until 2023. Iran denies its intent is a nuclear capable missile and maintains that its weapons are defensive.

JCPOA restrictions on Iran’s nuclear programme will begin to sunset in the next five to 12 years and its breakout time will potentially reduce significantly. Key JCPOA restrictions lapse as follows:

- **October 2020:** UN restrictions on conventional weapons transfers to Iran are lifted.
- **October 2023, Transition Day:** The UN lifts missile restrictions and the EU terminates all remaining nuclear sanctions. Iran can begin to manufacture and research on a limited number of advanced centrifuges.
- **October 2025, Termination Day:** UNSC Resolution 2231 and all remaining EU and UN measures are terminated. Restrictions are lifted on numbers of centrifuges, centrifuge produc-

# The JCPOA – Sunset Clauses



tion, purchase of dual use materials.

- **October 2030:** Restrictions are lifted on uranium enrichment levels, location of enrichment, quantities of enriched uranium than can be stockpiled, reprocessing of spent fuel from the Arak reactor, Iranian construction of heavy-water reactors, and joint commission oversight of IAEA access to undeclared sites.

## IRAN'S REGIONAL THREAT HAS GROWN SINCE THE JCPOA

Forty years on from the revolution, Iran poses a significant challenge to its neighbours, and to Western interests. Iran is a large and oil rich country, with a very strong sense of its natural place as a leading power in the Middle East and the wider Islamic world. It poses a significant challenge to its Western-aligned Sunni neighbours because of its ambition as a dominant regional power, its radical anti-Western Islamist ideology, its Revolutionary Shia identity, and its overt commitment to the destruction of Israel.

Iranian policies did not moderate following the JCPOA. The Obama administration's hope that the deal would empower 'moderates' and draw Iran into a more constructive regional posture has not been borne out. The economic relief provided by the JCPOA and lifting of sanctions appeared to embolden Supreme Leader Ali Khamenei and the IRGC 'Quds' Force led by Qassem Soleimani in their quest to exploit regional conflicts and project Iranian asymmetric power through its 'Axis of Resistance'. This is demonstrated by a host of

indicators of Iranian behaviour:

- [Iran's military spending increased from \\$10bn in 2014 to \\$14bn in 2017](#), with additional resources being directed towards the IRGC.
- [Iran's testing of nuclear capable ballistic missiles has increased since 2015](#), including testing of the Khorramshahr medium-range ballistic missile capable of reaching Europe.
- [Iran has pursued assassination plots against opponents on European soil](#), including in the [Netherlands](#), [Denmark](#), and [France](#), leading to new EU sanctions in January 2019.
- [After 2015, Iran advanced its project to extend a corridor of control through Iraq and Syria](#), and create a permanent military presence in Syria to not only bolster its ally President Assad but also to create an addition front against Israel. This led to a direct confrontation with Israel in May 2018 in which Israel did severe damage to Iranian military infrastructure in Syria.
- [Iran has maintained its extensive military and financial support for proxies](#) including Lebanese Hezbollah, the Houthis in Yemen, Shia militias in Iraq, and Hamas and Islamic Jihad in the Palestinian Territories. Iranian support for Houthis in Yemen has included the transfer of missile and [drone technology](#) which Houthis have used directly against neighbouring Saudi Arabia, with several attacks on Saudi airfields and oil infrastructure in May 2019 alone. This comes against



the backdrop of the bloody civil war in which Saudi Arabia and the UAE are fighting in support of the Hadi-led Yemeni government.

- Iran has escalated its proliferation of missile technology – including strategically game-changing precision-guided missile technology to Hezbollah – which poses a grave threat to Israel and neighbouring states – and to the Houthis in Yemen threatening the security of Saudi Arabia. There are also concerns that Iran has equipped Shia militias in Iraq with similar missile capabilities.

- Iran has escalated its threat to the stability of the Gulf, including through support for anti-regime elements in its Sunni Arab neighbours, and threats to close or disrupt shipping through the Straits of Hormuz, a vital transit route for 30 per cent of the world's oil supply.

- Iran continues to arm and fund Hamas and Palestinian Islamic Jihad (PIJ) in the Gaza Strip and use PIJ in particular as a proxy to trigger escalation when it suits them in order to undermine efforts to establish an enduring ceasefire between Israel and Hamas. Iran was



widely suspected of being responsible for the escalation in hostilities between Israel and Gaza in early May 2019.

- **Iranian domestic human rights abuses continue**, including the violent suppression of anti-regime demonstrators, widespread use of the death penalty, severe restrictions on women's rights, persecution of religious and sexual minorities, cultural censorship, and prevention of access to social media.

**Iran's nuclear programme and regional agenda are mutually reinforcing.** Were Iran ever to acquire a nuclear deterrent, it would give Iran a defensive umbrella under which it could pursue its regional agenda. Meanwhile its capacity to inflict regional disruption through proxies deters foes from military attacks on its nuclear sites, or other attempts to harm Iranian vital interests including oil sales.

### THE UK DILEMMA OVER THE JCPOA

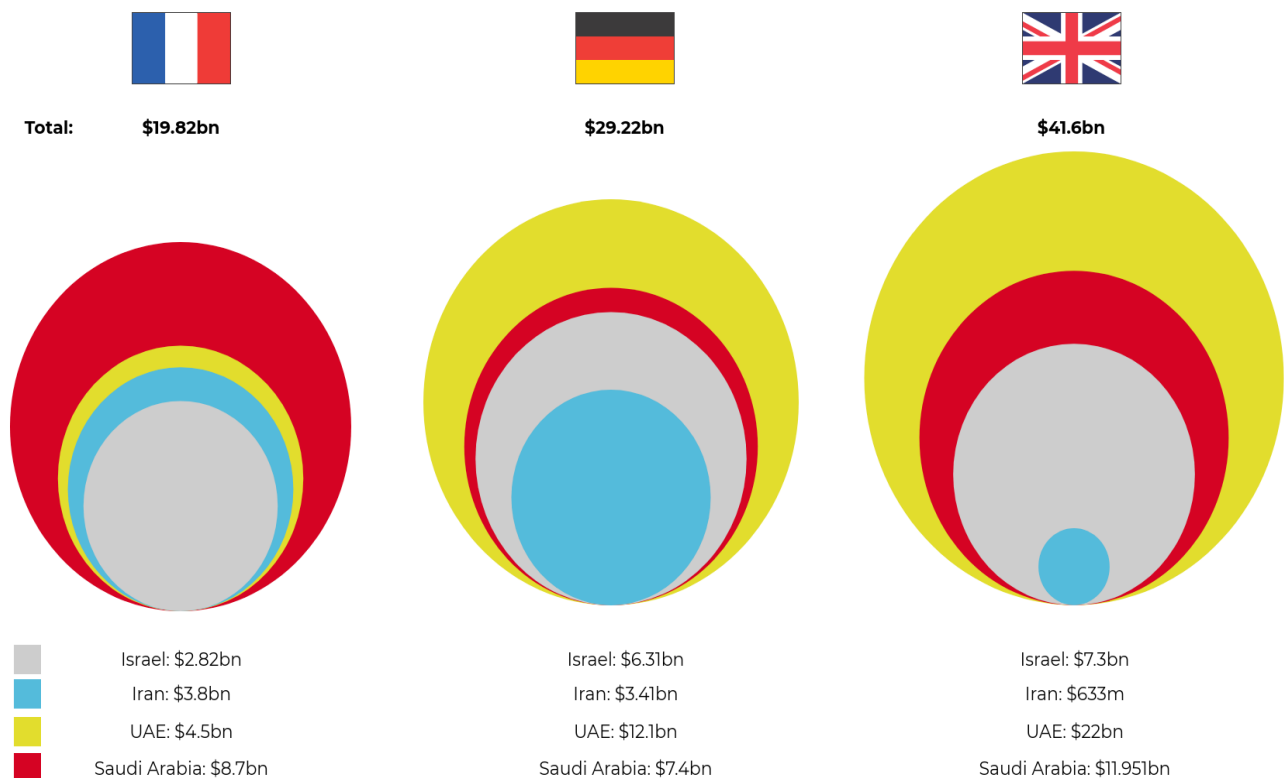
**UK policy on Iran has three goals:** uphold the global non-proliferation regime and prevent Iran achieving a nuclear capability; constrain Iran's destabilising actions in the region; and encourage Iran to normalise its economic and diplomatic relations with the region and the West and assume its rightful role as a responsible power.

Since the JCPOA was signed, the UK has tried with France and Germany to preserve it, even after the US decision to leave. Ministers have argued that the deal represented nuclear counter-proliferation through international law and UN backed diplomacy, and abandoning it increased the risk of proliferation, a nuclear arms race and war. UK officials argue that the deal pushed Iran back from the nuclear threshold, lengthening its breakout time from a few months to at least a year and closed off the plutonium track completely. It is also claimed that there is no alternative to the deal.

It is further argued that the deal bolstered moderates over hardliners, with Trump's decision conversely bolstering hardliners. This however is a dubious distinction. President Rouhani is intimately involved in the history of the Iranian nuclear weapons programme, as shown in the secret archive. The differences within the regime appear less about the goal of developing Iran's nuclear capability, and more about whether to manage relations with the rest of the world in a pragmatic or confrontational manner.

Working to protect the deal has put the UK in the awkward position – along with France and Germany – of actively working with China and Russia against US sanctions policy. The prima-

## European Trade in the Middle East (2017)\*



\*According to French, German and British government figures

ry instrument of E3 policy has been an attempt to establish INSTEX SAS (Instrument for Supporting Trade Exchanges) - a special purpose vehicle aimed at facilitating trade between European economic operators and Iran.

## THE OTHER MEMBERS OF THE E3 – FRANCE AND GERMANY

France and Germany have interests that overlap with the UK, but do not exactly converge. They share Britain's commitment to a 'rules-based' international order and international treaty regimes and institutions. They also share Britain's desire to prevent Iranian nuclear weapons capability and destabilising regional agenda as well as sharing an analysis that pulling out of the deal could strengthen radicals. There is also a shared concern at the destabilising consequences of an acute economic crisis in Iran. However, France and Germany have their own distinct national interests, and a shared interest with respect to developing the foreign policy capability of the EU. Disparaging remarks from Trump and Pompeo regarding European integration in general are a source of frustration for French and German leaders. US Secretary of State Mike Pompeo reportedly received a cool reception in Brussels when he made an impromptu drop in on an EU Foreign Affairs Council meeting in May, and upset European officials with February's Middle East summit in Warsaw, which was seen as an attempt to recruit EU members to an anti-Iranian front.

Whilst Germany also has strong relations with Arab Gulf states, and a special commitment to Israeli security, it has much more substantial economic potential in Iran than Britain, including a large trade surplus. Germany exported €2.7bn worth of goods to Iran in 2018, more than 14 times the UK, but exports dropped sharply with the reimposition of US sanctions. Germany also sees considerable potential to drive Iran's industrial modernisation, and has additional interests to reduce its energy dependency on Russia.

France also has a much bigger economic stake in Iran than the UK. As sanctions intensified prior to the JCPOA, companies like Peugeot pulled out of what had been an important export market. Trade began to recover after 2015 and in 2018 France exported €0.9bn worth of goods to Iran, and imports were more than €1.5bn, mostly oil. The reimposition of sanctions has wrecked the declared ambitions of the [French foreign ministry](#) "to invest massively in the Iranian economy whose market and infrastructures are dilapidated." French State oil company To-

tal SA pulled out of a deal agreed in 2017 with the National Iranian Oil Company (NIOC) for the development of South Pars, the world's largest gas field. Post-2015 plans to build Peugeot cars in Iran and the sale of 100 planes from the French headquartered [Airbus](#) have also been scrapped, and France ceased oil imports from Iran in September 2018.

France and Germany also have an increasing shared interest in developing the EU as an alternative foreign policy leader, in the face of US retrenchment, unpredictability, and Brexit. The EU foreign policy think tank, the [ECFR](#), has called on the EU to fill the "global diplomacy deficit" created by the shift in US policy. Stabilising the Arab world and stemming the waves of illegal migration is an even more acute issue for continental Europe, as is stability to the east of Europe and reducing tensions with Russia, on which Germany in particular is highly dependent for energy.

## RECOMMENDATIONS: THE WAY FORWARD

In the broad scope of UK Middle East Policy, the UK's core interests remain invested in efforts to contain Iran and in reaffirming ties with Gulf states. This means continuing to reassure Arab allies through deepening security cooperation and a tougher approach to Iran's destabilising regional activity. (See: British Middle East strategy after Brexit, [BICOM](#), Nov 2018).

Dealing with Iran in the face of an escalating confrontation over its nuclear programme presents tough dilemmas. In sharp contrast to the Trump administration, the E3 see a strong incentive not to allow the JCPOA to collapse to protect the fruits of international diplomacy, open up the potential for trade and increased oil flow, and prevent the unpredictable consequences of economic collapse in Iran. For this reason, the E3 will continue efforts to help Iran mitigate the impact of sanctions, and stop a slide towards an acute crisis in the next few weeks. But in the long term there is a contradiction between the goal of preventing Iran from acquiring the means to build a nuclear bomb, and the sunset clauses which in time appear to give Iran unlimited scope for uranium enrichment, including stockpiling weapons grade uranium.

Iran's pattern of behaviour gives little reason to believe that it will embark on a more moderate policy, either in its regional policies or its nuclear programme.

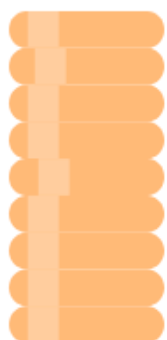
# US Sanctions on Iran: the Impact

In May 2018, the US withdrew from the JCPOA and imposed a series of severe sanctions on Iran



**GDP  
down  
3.7%  
(2018)**

**Oil Production  
March 2018: 2.3  
million bpd  
March 2019: 1.1  
million bpd**



**Inflation  
31%  
(2018)**

**Rial down  
60% against  
the dollar**



The question for UK policy makers should not be how to preserve the deal for its own sake, but how to prevent Iran reaching nuclear breakout capability. In that respect, the overwhelming priority should be to prevent Iran acquiring the fissile material that would enable it to develop nuclear weapons, especially given the new evidence proving that Iran developed and retained complete designs for a bomb, and ongoing testing of nuclear capable missiles.

In parallel, the UK needs to address Iran's other dangerous and destabilising activities, including its attempts to build up military forces in Syria, its support for Shia militias and other proxies across the region, its armed plots on European soil, and proliferation of precision missile technology.

Insofar as the Trump administration's goal is to change the behaviour of the Iranian regime (as opposed to regime change), the US and E3 have

shared goals, and are divided by their view of the best strategy to achieve those goals. Frustration with the Trump administration should not hinder attempts to seek common ground and coordination to meet these shared goals.

The UK, along with France and Germany should re-establish the intense dialogue with the US administration on how to meet shared goals that existed prior to the US decision to leave the JCPOA, and how positions may be coordinated should Iran take up Trump's offer of dialogue.

In the short term, the UK, with its European partners, should seek to coordinate with the US a mechanism to address the problem created by ending waivers on civilian nuclear sanctions, to keep Iran's stockpile of enriched uranium from exceeding JCPOA limits.

It should simultaneously seek to deter Iran from

enriching to higher levels and reversing its re-configuration of the Arak nuclear reactor (as Iran has threatened to do in mid-July 2019) by communicating to Iran this would have severe consequences and undermine any basis for economic cooperation, such as expediting the operation of the INSTEX trading mechanism, or using oil for humanitarian trade.

At the same time, the UK should work with allies to address the long-term threats posed by Iran's nuclear programme. Even if Iran remains within the temporary limits set by the JCPOA, Iran's conventional weapons restrictions will fall away in the next 1-4 years and nuclear restrictions in 6-11 years with its breakout time likely to fall significantly over that time. Iran is already developing its nuclear capable missile arsenal in a manner inconsistent with UNSC 2231, and as revealed in the nuclear archive, already has a weapon design ready to enter manufacturing stage.

In 2012, Israeli Prime Minister Benjamin Netanyahu defined his red line as Iran acquiring enough uranium which had been 'medium enriched' (enriched to 20 per cent) to fuel one bomb (which would be possible if Iran were to subsequently enrich it to 'weapons grade' at 90 per cent). Such an amount is considered by experts to be in the region of 225kg of 20 per cent enriched uranium and were Iran to approach that limit the Israeli policy debate on military action would be reignited, with the Israeli government having already come close to ordering a strike on several occasions.

Measures to prevent Iran acquiring nuclear weapons capability in the long term include the following:

- Work with Germany and France to address the sunset vulnerabilities in the JCPOA by affirming an interpretation of the deal, according to which certain activities are inherently inconsistent with Iran's commitment to "under no circumstances ... ever seek, develop or acquire any nuclear weapons" (stated in the preamble to the JCPOA), and are unacceptable even after the sunset. The evidence of the nuclear archive proves that Iran has lied about the military dimensions of its programme, has sought to retain nuclear weapons technology, and that closing the file on the military dimensions of Iran's nuclear programme was premature. On this basis, the E3 should make clear to Iran that stockpiling medium or high enriched uranium at levels of enrichment and quantities neces-

sary for nuclear weapons would result in renewed sanctions.

- Press to fully exploit the inspection powers within the JCPOA and demand IAEA inspection of all suspicious sites, including undeclared sites such as those revealed by the Israeli acquired nuclear archive in 2018, which is allowed for under the JCPOA.
- Oppose the IAEA adoption of broader conclusions that all nuclear material in Iran is for peaceful activities, and in the light of the discovery of the nuclear archive, reopen the IAEA investigation into possible military dimensions (PMD) of Iran's nuclear programme which was closed in December 2015. This investigation should remain open unless and until Iran provides a complete and credible account of its past military nuclear programme.
- Ensure a zero tolerance approach for any Iranian attempts to stretch the terms of the JCPOA, or exploit loopholes by pressing for comprehensive and transparent IAEA accounting of all Iranian activities. The E3 should be alert to demands for 20 per cent enriched uranium for civilian purposes, proposals to restart its nuclear naval propulsion project, or 'accidental' over production of enriched uranium.
- Work with France and Germany to bring forward EU-wide sanctions against Iran's missile programme and explore with Russia and China the option of a new UNSC resolution if Iran continues to exploit the problematic wording of 2231. As Iran continues to pose a strategic threat across the region, there is a need to address in the coming years the threat posed by UN restrictions on Iranian missile activities lapsing in 2023.
- Call on European partners to follow the UK's full proscription of Hezbollah and pursue sanctions measures and intelligence cooperation to address Iran's ongoing transfer of game-changing precision missile technology to Hezbollah, among other destabilising regional activities.

Ultimately, the JCPOA does include a strict mechanism for holding Iran to account, and these mechanisms should not be taken off the table. If any party sees actions as "significant non-compliance", they can bring their dispute to the Joint Commission. There is a 35-day process for arbitration and review. If unresolved, the issues can

be treated as grounds to cease performing commitments, and any party can notify the Security Council, triggering an automatic resolution within 30 days to continue suspension of sanctions.

## Appendix 1: Iran's secret nuclear archive

In April 2018 Israeli Prime Minister Benjamin Netanyahu revealed a trove of 50,000 pages and 163 compact discs of memos, videos and plans relating to Iran's nuclear weapons program, removed by Mossad agents from a secret archive in Tehran several months earlier. The conclusion of a [report](#) by Harvard's Belfer Center for Science and International Affairs was that this evidence puts beyond doubt that: "Iran's senior leadership approved a program to manufacture nuclear weapons and carry out an underground nuclear test."

The archive documents 'project AMAD', a plan to build five nuclear bombs. According to the Belfer Center, Iran was more advanced than previously thought and "had completed its nuclear weapons design and was preparing the facilities for manufacturing." It reveals previously unknown nuclear sites and the development of plans for a [nuclear test site](#). It also shows how Iran sought to push the program deeper underground after 2003, and systematically lie to the IAEA in the face of intensified inspections. Those involved included current President Hassan Rouhani.

David Albright, a leading independent nuclear proliferation expert and director of the Washington based Institute for Science and International Security, who has been given access to significant parts of the archive, [said the following](#):

"It's hard in the big picture to see how storing and curating an extensive nuclear weapons archive is consistent with Iran's pledge that under no circumstances will it seek nuclear weapons. The new information raises fundamental doubts about whether Iran is complying with its comprehensive safeguards agreement, the Associated Additional Protocol, the Iran nuclear deal and even the Nuclear Non-Proliferation Treaty.

Overall the new information in the archives adds more urgency to efforts to understand Iran's past and possibly ongoing nuclear weapons-related efforts under the Non-Proliferation Treaty and associated comprehensive safeguards agreement. The International Atomic Energy Agency should be asked by the Board of Governors to verify sites, locations, facilities and materials mentioned in the archive and report on that work. And there are certainly no shortage of sites and activities that are clearly stated and shown in the archives both textually and with imagery...

The archive should also motivate the United States and its closest allies in Europe and elsewhere to push harder to address the flaws in the Iran nuclear deal. It certainly reinforces calls to fix the sunsets, improve inspections and focus more on nuclear-capable ballistic missiles."

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