

# **The Iran Nuclear Deal and the U.S.-Iran Standoff**

**Dr. Joost Hiltermann**

## **Introduction**

By pulling the United States out of the nuclear agreement (the Joint Comprehensive Plan of Action, JCPOA) between Iran and the five permanent members of the UN Security Council plus Germany (the P5+1), the Trump administration has brought the U.S. relationship with Iran back to an earlier, more confrontational, era. The two states have been locked in an adversarial logic ever since the 1979 Islamic revolution (though popular grievances that fuelled the Shah's removal date back to 1953, when the CIA helped depose Iran's popular prime minister, Mohammad Mossadegh). The fall of the U.S.-backed guardian in the Gulf, followed by the embassy hostage crisis, launched almost four decades of unremitting enmity, which only the JCPOA began to thaw.

It is said that one cannot jump into the same river twice: today's realities are not those of the 1980s. Mutual hostility may endure, or be rekindled, but the United States and Iran are two very different players now in a world that has been radically transformed. This means that we should view their relationship through changes that have occurred in their respective societies, their resources and alliances, and their shifting weight in the regional and global order. Such an analysis could shed light on how effective a renewed U.S. drive to squeeze Iran will be. It may also point to an alternative course that would reduce the risk of uncontrolled escalation by accommodating, not denying, one of the key stakeholders' core interests.

## **Iran in the 1980s and after**

The Islamic revolution overthrew a secular authoritarian monarchy ensconced in a Western embrace and replaced it with a theocratic authoritarian republic bent on a non-aligned foreign policy. As in other fundamental transformations, the first years saw turmoil, with the revolution proverbially devouring some of its own children, at the end of which the religious current led by Ayatollah Ruhollah Khomeini prevailed over a gamut of competing political groups. In those early years, the Iranian state was weak. The new leadership distrusted the army and other inherited security structures, and needed time to rebuild a coercive apparatus that could impose its will on society while protecting the country's borders.

The young republic was not afforded much time. Its neighbour Iraq, where Saddam Hussein had formally assumed the reins of power, also in 1979, saw opportunity in Iran's temporary

weakness to send its forces across the border with the apparent ambition to effect regime change in Tehran. Saddam was motivated mainly by his fear that the Islamic revolution would threaten his rule by insinuating itself into Iraq's majority-Shia population. But he overestimated the strength of his own forces and underestimated Iran's patriotic mobilisation against foreign invasion. Eight years of brutal war ensued, at the end of which neither side had made an inch of territorial progress despite horrific human sacrifice. Instead, it allowed the Islamic revolution to consolidate itself at home even as it was contained abroad.

Dismayed by the loss of its regional satrap, and incensed in particular over the hostage affair, the United States took incremental measures to fence in the revolution, if not to snuff it out. Its weapons were economic sanctions – imposed on a number of grounds – and military support for the Iraqi war effort (which it then undermined by providing arms to Iran in the 1986 Iran-Contra affair). During the 1990s, having soured on an Iraqi leader who had threatened Western interests by invading Kuwait, the U.S. embarked on a “dual-containment” policy in the Gulf, strengthening its alliance with Saudi Arabia as a buffer against a hostile Iran and unreliable Iraq.

These measures proved effective in isolating Iran from international institutions and alliances but did little to threaten its leadership or undermine its society. To the contrary, Iran learned to be resourceful.

Outgunned by U.S. allies in the region and with limited access to the international arms market since the revolution, Iran sought to compensate for its sense of encirclement and relative conventional military weakness by building toward self-sufficiency in asymmetric military capabilities and increasing its strategic depth. Iran heavily invested in its ballistic-missile program, a legacy of having been a victim of these weapons during the war with Iraq and something it sees as a reliable deterrent against Israel. It also built a network of partners and proxies to protect against external threats. Tehran dubs this its “forward-defence” policy: an effort to exploit weak states, such as Lebanon and post-2003 Iraq, where it can meet its enemies on the battlefield through proxies without direct harm to Iran and its people. Of course, regional power projection may well have a defensive origin. What matters is that Iran's adversaries experienced it as aggressive and threatening, accompanied as it was by rhetoric about Tehran wanting to export its revolution.

Iran also tried to diversify its economy away from an over-dependence on oil, and became increasingly self-reliant in security; its growing nuclear program, even if ostensibly for civilian

purposes, was an essential element of this. As it faced ever more stringent sanctions, especially related to its nuclear program, Iran actually *accelerated* the development of its nuclear capability. This produced a breaking point, at which Israel and the U.S. found that they need to decide whether to attack Iran in order to destroy its nuclear sites or to settle with it by acquiescing to a certain level of nuclear development for a specified time, including Iran's right to enrich. The Obama administration's choice of the latter approach inspired the negotiations that led to the JCPOA. To the Iranian leadership, this was a signal that the U.S. might be on the way to accept the Islamic Republic instead of seeking its demise.

### **The United States in the 1980s and after**

The Iranian revolution and its aftermath spawned a generation of U.S. leaders and policy-makers who appeared congenitally opposed to the Islamic Republic's very nature. The next generation exhibited a similar animus, spurred by its own experience in post-2003 Iraq, where U.S. forces came under attack from Iran-armed local adversaries. The world and the region may have undergone dramatic change – Iran faced off with Iraq; the Soviets fought jihadists in Afghanistan, then withdrew; the Berlin wall came down and the Soviet Union disintegrated, ending the Cold War; Iraq invaded Kuwait, was driven out, then contained through no-fly zones and comprehensive UN sanctions; the U.S. invaded Iraq – but through it all, the one constant was the U.S. effort to keep Iran ostracised, isolated, and on the back foot.

As Iran cycled through successive governments under Khomeini and then Ali Khamenei as supreme leader, regained a degree of political pluralism, and reasserted its society's rich diversity, Washington's Iran policy remained monochrome: it consisted of rhetorically attacking Iran and studiously refraining from diplomatic overtures (though Europeans tried during Mohammad Khatami's presidency). The absence of formal relations and an active discouragement of bilateral exchanges ensured that the two societies became largely ignorant of one another, and their respective decision-makers were navigating policy toward each other in near-blindness.

This 25-year largely non-violent standoff notwithstanding, U.S. and Iranian interests inadvertently came to converge in the Bush administration's clumsy and ultimately failed attempt to reorder the Middle East to advance U.S. interests. The invasion of Iraq removed Iran's principal regional enemy, Saddam Hussein, and empowered parties that, while not Iranian proxies, saw in Tehran a protector of last resort; some had a closer relationship than this, and readily used Iranian help in countering a U.S. occupation they jointly opposed. Yet

the two adversaries' overlapping interests went further. Both the U.S. and Iran championed Iraq's territorial integrity; both had an interest in elections, even if for different reasons (for the U.S.: to declare victory through democratic mission-accomplished; for Iran: to see relatively friendly forces gain control); and both opposed a Sunni-based insurgency (even as their respective heavy-handed tactics fuelled it).

It took an opponent of the Iraq invasion to break the cycle, shred Washington's vendetta-based policy, and hold out the possibility of Iran's re-entry into the community of states. Yet Obama's partial strategic disengagement from the region (refusing to stand up for beleaguered allies in the face of internal challenges to their rule) in response to Arab state collapse created a vacuum that Iran was best-placed to fill, especially after Saudi Arabia and the United Arab Emirates helped Egyptian army officers overturn the rule of the Muslim Brotherhood, the only organised opposition force in the Sunni Arab world. Iran's support for allies in Syria, Iraq, Lebanon and Yemen strengthened its enemies' perception that it seeks a hegemonic role in the Gulf, if not the wider Middle East, enabled by financial returns from the abolition and loosening of sanctions. Its ballistic-missile program and supply of these weapons to Hezbollah set off further alarms.

### **The U.S. and Iran today**

Enter the election of Donald Trump. The monochromatic U.S. agenda has returned, literally with a vengeance. Iran is back in Washington's crosshairs: Trump has pulled the U.S. out of the JCPOA, imposed new sanctions, and presented Iran with a list of twelve demands relating to its nuclear and missile programs, its military support for non-state proxies, and its detention of dual nationals.

The Trump administration's policy toward Iran appears driven, for now, by its most ideologically-inclined senior officials: National Security Adviser John Bolton and Secretary of State Michael Pompeo. Their declared intent is to tighten the screws on the Islamic Republic so much that it will have no choice but to reduce spending on military programs and foreign adventures. But there are plenty of hints that they hope for something more – that economic and social pressures will build to the point of generating a popular outburst that would put an end to the regime. Rather than seeking to effect regime change by military hand, in other words, they pursue it through an engineered implosion.

But this is not the United States of yesteryear:

- As a world power, the U.S. is on a temporary, possibly permanent, decline. As U.S. influence dwindles, a unipolar world is turning multipolar, especially in the Middle East, a process that began with the U.S. invasion of Iraq, was accelerated by the 2008 financial crisis, and was acknowledged and articulated first by the Obama administration, then derided and rejected by its successor through its “Make America Great Again” slogan. The reality is that the U.S. public has little appetite for overseas military interventions, and while the U.S. still has the most powerful military machine on earth, it has shown much greater aptitude at breaking things than rebuilding them – a prerequisite for securing its long-term interests.
- The U.S. has alienated its Western allies, who abhor its withdrawal from multilateral agreements, such as the 2015 Paris climate accord, and arms control treaties, such as the 1987 INF treaty with Russia. And even though Europeans are equally concerned about Iran’s missile program and its expanding military footprint in the Middle East, they continue to support the JCPOA, believing that the deal’s implementation is an essential non-proliferation step, and could possibly also moderate Iran’s policies on other fronts. This will hinder any U.S. drive to forge a unified Western stand against Iran, and to confront it with a watertight sanctions regime. Witness the discussion in Europe about finding ways to shield European businesses from extraterritorial U.S. sanctions for trading with or investing in Iran, and the creation of a “special-purpose vehicle” designed to provide financial channels for Iran-related transactions outside the U.S. dollar market.
- The U.S. is banking on active Saudi and Israeli support for a more aggressive approach toward Iran (even though the Israeli security establishment, as opposed to its political leadership, sees benefit in the JCPOA’s survival). But the Saudi leadership is scoring own goal after own goal, while a U.S.-backed strategic alliance between Israel and Saudi Arabia remains elusive without substantial progress in Israel-Palestine peace-making. Moreover, neither Israel nor Saudi Arabia is prepared to start an all-out war with Iran without the guarantee of U.S. military support – an unlikely prospect under an isolationist Trump, who is all bluster but seems unwilling to sacrifice blood and treasure through new military adventures abroad. The most to which this administration

would likely commit are air and missile strikes, but air and missile strikes alone do not win a war.

- The U.S. also appears to be encouraging, and possibly financing, Iranian opposition and insurgent groups. These groups could cause damage but are unlikely to pose a serious threat to the Iranian system; their attacks could even spark a nationalist circling-of-the-wagons response among ordinary Iranians. Yet a response by the Iranian security apparatus against such groups in Europe, such as alleged attacks in the Netherlands and France, and an allegedly planned one in Denmark, in the past year, could push European states into a more critical stance toward Iran, and therefore more in line with U.S. strategy.

Nor is Iran the same Iran:

- Having overcome early threats to its survival and steeled by decades of sanctions, the Islamic Republic has emerged with renewed strength, able to project power in the region, which it does mainly thanks to mistakes and failures by its enemies. Iranian officials are quick to point out, with some justification, that Iran is the only state in the region able to provide in its own security, i.e., without massive U.S. military support. (While this may be true, this does not make Iran the militarily strongest regional player, as it well realises.) In the aftermath of the Arab uprisings, in particular, it has strengthened its forward-defence policy and asymmetric-warfare capability. Compared to its own permanence in the neighbourhood, it sees the U.S. as a fly-by-night – a powerful yet temporary threat.
- Iran has a well-advanced nuclear program whose breakout potential is time-limited only by Tehran's adherence to the JCPOA. It developed this program while under sanctions. The renewed imposition of sanctions only provides fodder for those within the Iranian establishment who oppose the JCPOA and want to counter Israel's (undeclared) nuclear program with a nuclear deterrent. This means that, absent negotiated constraints, nothing would prevent Iran from developing nuclear weapons short of a military effort to destroy its program. Yet it is hard to see how such an effort could accomplish more than a temporary setback to Iran's nuclear progress, while hardening its determination to develop a nuclear deterrent.

- Through its good-faith negotiating posture and willingness to adhere to the resulting deal, Iran signalled that it is primarily a pragmatic, not an ideological, power. Through an accumulation of goodwill, it thus has built a foundation for growing trust with Europe, as well as Russia and China. The clear signals European states are sending to Tehran that they are keen to find a way, however limited in economic impact, to circumvent U.S. sanctions also serve as a message to Washington that it will have to go it alone in its Iran policy. As a result, the U.S. looks isolated and distrusted, supported only by Israel and Saudi Arabia. Iran feels quite comfortable in this position, and far more shielded from harm than it was in the aftermath of the revolution.
- Yet Iran also has significant weaknesses. The fires of the revolution have long burnt out, and popular discontent with poor governance and corruption has erupted in the streets more than once. This has not amounted to an existential threat to the Islamic Republic, but as sanctions begin to bite, the government may face rising protests and the need to crack down more severely than it has until now. That could set off a cycle of violence that could undermine its legitimacy, and perhaps its stability.

In the current circumstance, it could take a single spark – a Houthi missile landing on Riyadh; an altercation in the Strait of Hormuz; a drone entering Israeli airspace from Syria – to cause a military escalation in the region involving any number of the many armed state and non-state actors. Absent clear channels of communication between adversaries, it is an open question whether such an outbreak of violence can be contained, and the inflammatory rhetoric accompanying it dialled back.

### **A Way Out?**

Iranian officials routinely suggest that what they want most is for the Islamic Republic to be accepted and treated with respect. Instead, they see a bullying Trump administration hell-bent on regime change. They also see the U.S. and its regional allies, including a nuclear-armed Israel, encircling Iran. This may go a long way in explaining why Iran is pursuing a nuclear program and a “forward-defence” posture in the first place. Threat perceptions inform defence spending, arms development, and an attempt to break out of the encirclement. In turn, these moves heighten the other side’s threat perception. Of course, Iran’s own policies strongly contribute to this: its direct and indirect involvement in the brutal war in Syria; its hand behind

non-state actors in Lebanon, Iraq and Yemen; and its apparent role in assassinating leaders of violent opposition groups based in Europe.

This cycle must be broken if it is not to erupt into a conflagration. The Trump administration does not favour a de-escalation of tensions with Iran; to the contrary, it appears to want to push Iran to the maximum level that would produce the results it seeks: an engineered implosion, the overthrow of the Islamic Republic, a resulting reduction in Iran's regional footprint, an end to both its nuclear and ballistic missile programs, or all of the above. By comparison, the Europeans may have concerns about Iran's missile program and policies in the region, but are otherwise keen to preserve the JCPOA – and to convince the Iranian leadership not to withdraw in turn. In this, they have the backing of Russia and China.

The big question is what Iran will do. From all appearances, it has exercised patience, at least for now, largely refraining from responding directly to armed provocations – with some exceptions – and continuing to implement the JCPOA despite the absence of expected economic returns. Iran's leaders seem prepared to wait until the U.S. presidential elections two years from now – to see what happens, and decide accordingly. But in the meantime, the strain inside Iran is growing, as those who opposed the JCPOA from the get-go feel vindicated and detect an opportunity to strike back at the U.S., Israel and Saudi Arabia.

It is in Europe's interest to discourage the Iranian leadership from taking the bait and once again embarking on an adversarial course toward the U.S. and the West more broadly. The International Crisis Group has outlined a number of steps European states could take to keep Iran within the JCPOA. These include, in the short term:

- ❑ Moving decisively to establish the special-purpose vehicle through which Europe could (indirectly) import Iranian oil products and in return sell goods to Iran;
- ❑ Publishing an EU general licence describing an acceptable standard for due diligence and regulatory compliance for its companies to conduct legitimate business with Iran, thus providing them with a legal shield against secondary U.S. sanctions;
- ❑ Enforcing the EU's revised 1996 Blocking Statute that prohibited European companies from complying with secondary U.S. sanctions imposed on Iran with legislation that supports its companies when they press charges against U.S. regulators at the International Court of Justice or International Chamber of Commerce.

- Launching a joint effort by the Agence Française de Développement, Kreditanstalt für Wiederaufbau and UK Department for International Development to support infrastructural development projects in Iran and enter into negotiations with Tehran to select projects and extend loans as soon as possible; and
- More readily facilitating visas for Iranian students and entrepreneurs.

And in the medium-to-long term:

- Negotiating and signing a long-term energy partnership between the EU and Iran, which in return for Iranian natural gas supplies to Europe via existing or new pipelines would provide Iran with access to cutting-edge renewable energy technologies;
- Supporting the establishment of an Iran-EU chamber of commerce; and
- Enhancing civil nuclear cooperation, including construction of new civilian nuclear power reactors, in return for an agreement to turn Iran's enrichment plants into joint European-Iranian ventures, or staff them with European nationals.

In turn, Iran, which has reason to want to prevent an inadvertent all-out confrontation and maintain its warming relations with Europe, could do much from its side to de-escalate tensions, despite ongoing U.S. attempts to the contrary. Iranian officials have repeatedly indicated that Iran's investment in Yemen is low-cost and opportunistic, not strategic. As Saudi Arabia and the UAE seek a face-saving way out of their unwinnable entanglement in Yemen, Iran could signal its willingness to nudge the Houthis to the negotiating table and constructively work toward a ceasefire and, eventually, a peace settlement. In the first instance, it could dissuade the Houthis from launching missiles into Saudi Arabia. In Lebanon and Iraq, Iran could work to maintain its current influence without at the same time taking steps to thwart its local adversaries, who seek a share of governance and the economy.

The real challenge lies in Syria. Israel and the U.S. have indicated they want to remove Iran from the country, and return to the pre-2011 status quo ante. This may not be realistic, given Iran's heavy investment in Syria since 2011 and the fact that its Syrian ally is on course to restore full control over the country. More sensible voices in the Israeli security establishment suggest something less. They estimate that sanctions may bite Iran hard enough that hardliners in Tehran will decide that Iran has accomplished enough in Syria for now and does not need to push for further advantage, and maybe even retreat a little until the 2020 U.S. presidential elections bring clarity. The way the rivalry between Israel and Iran has played out in Syria is

through Israeli strikes on Iranian assets and a persistent Iranian effort to build out its influence on the ground through its allies and proxies. In theory, this could produce a tentative mutual deterrence between Iran and Israel through a tacit reciprocal recognition of each other's red lines, as has existed between Hezbollah and Israel on the Israel-Lebanon border since 2006.

Israel's primary concern, however, appears to be, not the ongoing Iranian arms shipments to Hezbollah (many of which Israel has destroyed), but the transfer to Hezbollah of technology to manufacture precision-guided missiles in Lebanon, as well as an entrenched Iranian military presence in Syria. This could well become the next *casus belli*.

In Syria, too, Iran could take proactive steps to reduce the likelihood of a larger confrontation. Its officials and supporters say that Iran does not seek to establish permanent bases in Syria, yet its actions appear to belie this claim; Tehran could show concretely it has no such intention. It could also work to restrain the Syrian regime from acting on its worst impulses, including the use of chemical weapons – an issue that should resonate strongly with this Iranian leadership, which itself was exposed to Saddam's poison gas in the trenches of the Iran-Iraq war, and swore to abjure the use of such a weapon.

For its part, the Trump administration could take steps to limit its involvement in Syria to ensuring the Islamic State does not rebound – by supporting stabilisation in areas where the U.S. is active and has assets on the ground, especially the northeast. Expanding its political objectives to include countering Iran and effecting the removal of the Assad regime, through a political transition or otherwise, can only prolong the war indefinitely, and encourage ISIS's re-emergence in some form.

The main task, however, lies with Russia, which has been in the driver's seat since its 2015 military intervention. Because it enjoys good relations with all the principal players – Israel, Iran, Syria, and Hezbollah – it has the capability to prevent an all-out conflict between Israel and Iran. It also has an interest in doing so, as a new war would undo its post-2015 gains in Syria and threaten its assets. Moscow already has worked throughout the past year to stop the two protagonists from escalating their battle in Syria: following the drone incident in February 2018, a spike in violence in May, and again ahead of the regime offensive in the southeast in June-July, when it successfully kept Iran-backed forces other than the Syrian army away from the Golan. The September downing of a Russian military aircraft by Syrian air defences has complicated Russia's relationship with Israel, especially after Russia provided Syria with S-300s in response. Their presence could trigger a dangerous Russian-Israeli showdown should

Israel decide to strike these weapons when fired upon while in pursuit of Iranian targets in Syria.

For now, a proactive Russian effort to continue to manage the Israel-Iran standoff in Syria should be welcomed. But the U.S. president, the Israeli prime minister, the Saudi crown prince, and Iranian hardliners may have different priorities and, in pursuing these, end up setting the regional agenda. There should be no doubt that this can only precipitate the next war, and as a result lead to further fragmentation, instability and humanitarian catastrophe in a region already desperately broken.