

# Iran-USA relations

June 27, 2019

[Manifest pedagogy](#)

In International Relations Comparative questions are a high possibility in the coming years. Trade wars and its impact on India and the recent one being IS Iran relations and its impact. To answer such questions a holistic understanding of global politics is necessary. Below is an article which attempts to achieve that.

## **In news**

- Trump government in USA has imposed major sanctions on Iran.

## **Placing it in syllabus**

- International Events affecting India's interests

## **Static dimensions**

- History of nuclear deal under Obama and its provisions

## **Current dimensions**

- Trump and Iran conflict
- Impact of this conflict on India
- India's balancing act

## **Content**

Recently there are increased tensions between US and Iran. The escalation began when USA pulled out Iran from the nuclear deal in May 2018. Now neither of the sides are ready to back off which has led to more tensions in the region.

History of Iran-USA nuclear deal

Iran had cooperated with the U.S. in the past. Post September

11, 2001 attacks, it assisted the U.S. war in Afghanistan. It played a critical role in the formation of the first post-Taliban Afghan government. But thereafter, the U.S. turned hostile to Iran, with President Bush lumping the country together with **Iraq and North Korea as the “Axis of Evil”**.

With help from the European powers and Russia and China, President Obama got the Iranians to the table. After months-long painstaking diplomatic engagement, in 2015, Iran agreed a long-term deal on its nuclear programme called the **Joint Comprehensive Plan of Action (JCPOA)** with a group of world powers known as the **P5+1 – the US, UK, France, China, Russia and Germany**.



Commitments set out in the JCPOA are

**Uranium enrichment** Iran’s uranium stockpile will be reduced by 98% to 300kg for 15 years (until 2031). Iran had two facilities – Natanz and Fordo. Under the JCPOA, installing of centrifuges were limited to no more than 5,060 of the oldest and least efficient at Natanz until 2026. It must also keep the stockpile’s level of enrichment at 3.67%. By January 2016, Iran had drastically reduced the number of centrifuges installed at Natanz and Fordo, and shipped tonnes of low-enriched uranium to Russia. Commitments set out in the JCPOA are

- Research and development must take place only at Natanz and be limited until 2024.
- No enrichment will be permitted at Fordo until 2031, and the underground facility will be converted into a nuclear, physics and technology centre.
- A UN ban on the import of ballistic missile technology would also remain in place for up to eight years.
- Should redesign the **Arak reactor** so that it cannot produce any weapons-grade plutonium.

- Iran will not be permitted to build additional heavy-water reactors or accumulate any excess heavy water until 2031.
- Iran is required to allow **International Atomic Energy Agency (IAEA)** inspectors to access any site they deem suspicious.
- Inspectors from the IAEA continuously monitor Iran's declared nuclear sites and also verify that no fissile material is moved covertly to a secret location to build a bomb.
- Until 2031, Iran will have 24 days to comply with any IAEA access request. If it refuses, an eight-member Joint Commission – including Iran – will rule on the issue which can decide on punitive steps, including the reimposition of sanctions. A majority vote by the commission suffices.

At the time of the agreement, then-US President Barack Obama's administration expressed confidence that the JCPOA would prevent Iran from building a nuclear programme in secret. Iran had said that it was committed to "extraordinary and robust monitoring, verification, and inspection". In December 2015, the IAEA's board of governors voted to end its decade-long investigation into the possible military dimensions of Iran's nuclear programme. Under the deal, Iran gained access to more than \$100 billion in assets frozen overseas and was able to resume selling oil on international markets and using the global financial system for trade.

### Trump and Iran conflict

In May 2018, US President Donald Trump abandoned the landmark deal and in November he reinstated crippling sanctions targeting both Iran and states that trade with it. The deal, its critics argued, paid Iran for not making a nuclear bomb, while leaving unaddressed critical issues such as its ballistic missile programme and its "disruptive" activities in the region. Mr. Trump wants Iran to return to talks on terms

set by the U.S. so that they can renegotiate the nuclear issue.

US termed a branch of the Iranian armed forces a terrorist group, and sent more troops to West Asia in a bid to force "behaviour change" in Tehran. The U.S. administration has called this strategy the "maximum pressure" approach.

Reinstating sanctions has led to a downturn in Iran's economy, pushing the value of its currency to record lows, quadrupling its annual inflation rate, driving away foreign investors and triggering protests. The other signatories to the deal did nothing concrete to save Iran from U.S. sanctions. Corporations that had shown interest in investing in Iran, including Chinese companies, pulled out after the sanctions. The U.S. also scared off the top-buyers of Iran's oil, including India, resulting in a massive drop in Iran's oil exports. Taiwan, Greece and Italy had halted imports altogether, while the two biggest buyers – China and India – had reduced them by 39% and 47% respectively. Iran's currency woes have also led to shortages of imported goods and products that are made with raw materials from abroad.

Iran now has threatened to breach the nuclear deal and increase anti-U.S. military rhetoric. As a result, war clouds have gathered over the Gulf with U.S.-Iran ties sinking to low levels. Tehran has said it will keep the low-enriched uranium and threatened to begin enriching the uranium to higher levels of purity. Under the agreement, Iran is allowed to enrich uranium to 3.67%, which it plans to raise to 20%, thus taking the country closer to weapons-grade level (90%) which would be a breach of the nuclear deal. Though UN sanctions remain lifted, but if Iran was confirmed to have violated any aspect of the deal, they would automatically "snap back" in place for 10 years, with the possibility of a five-year extension. If the Joint Commission cannot resolve a dispute, it will be referred to the UN Security Council.

## Options before Iran

- To return to talks on the U.S.'s terms and negotiate another nuclear deal for sanctions relief.
- To wait out Mr. Trump's presidency and hope that his successor would take the U.S. back to the nuclear deal. But there is no certainty that Trump will not be re-elected or his successors may support the deal.
- To force the EU to defy U.S. sanctions and save the deal. After a year the EU has set up a channel with Iran called Instex (Instrument in Support of Trade Exchanges), but this is used mainly for transacting essential goods and high-value exports such as oil and gas.
- In May 2019, Iran suspended commitments under the agreement and gave the other signatories a 60 day deadline to protect it from US sanctions, otherwise, said it would resume production of highly enriched uranium.

## India-Iran Relations

In addition to cultural and historical links, India and Iran look at each other as important regional actors who have contributed positively to stability in their respective regions. New Delhi and Tehran have maintained robust political engagements since the 1990s. At the moment, the core of the relationship lies in strong bilateral trade, crude oil imports from Iran and cooperation in the development and operationalisation of the Chabahar Port, which is considered as a gateway for its trade with Afghanistan and Central Asia. Energy is the most important component of bilateral trade and Iran contributes significantly to India's energy security.

## Impact of Sanctions on India

- Indian companies will either have to stop buying oil from Iran or resort to a Rupee payment mechanism as was

done in the past.

- According to reports, as of May 2019, Indian oil companies have decided to not place further orders for oil imports from Iran due to US sanctions.
- Other than the oil sector, India is not directly affected by US sanctions on Iran though Indian companies involved in the Iranian automobile, iron & steel and mining sectors will be affected due to additional US sanctions on these sectors.
- The Chabahar Port also does not come under US sanctions and hence Indian investments and involvement in it will not be affected.
- Due to sanctions on the iron & steel sector and individuals, certain infrastructure development projects such as the Chabahar-Zahedan railway and gas pipeline, part of Iran's plan to develop Chabahar as a transit hub between Central Asia and the world, could be affected.
- If India does indeed stop oil trade with Iran, the geopolitical relationship with Tehran can take ages to repair and India may end up ruining ties with a friendly country that has done it no harm.

### India's balancing act

The bigger challenge before India is the political aspect of managing relations with the US and Iran. If India were to stop sourcing oil from Iran, it will affect bilateral relations. But giving in completely to US pressure and cutting off Iranian oil imports does not suit with India's pursuit of an independent foreign policy and its endeavour to maintain strategic autonomy. On the other hand, if India were to continue to buy Iranian oil by sidestepping US sanctions, it is likely to impact the strategic relationship with the US.

### India has three options

- resort to buying Iranian oil through one or more informal arrangements including devising a Rupee payment

mechanism to overcome the sanctions.

- joining hands with the EU, Russia and China through the INSTEX mechanism.
- teaming up with a Shanghai Cooperation Organisation (SCO) initiative to defy US sanctions.

India could continue negotiating with the US to either secure a formal waiver or to have an informal understanding to buy Iranian oil. Meanwhile India can offer to Iran chance to enhance its investments in the Chabahar Port development project as well as consider initiating other developmental and connectivity projects to strengthen linkages to Afghanistan, the Caucasus and Central Asia.

Iran is a country that lives in a state of permanent insecurity. In the event of a war, Iran could activate terror groups across the region, triggering multiple conflicts, drawing in several other countries. Besides, Iran could block the **Strait of Hormuz, which lies between the Persian Gulf and the Gulf of Oman**, through which one-third of the world's LNG and 20% of total oil production flows. As U.S. President, Barack Obama seemed to have realised the challenges in Iran, he attempted to curtail Iran's nuclear programme through diplomatic means. However Mr. Trump came along and sabotaged it. He should have used the bonhomie created by the deal to expand ties and address concerns such as Iran's regional activism. If he truly wants to change the course, he should start with de-escalation and keep a check on aggressive actions.