



The Iran-US deadlock over nuclear capability

Context:

- After a gap of five months, Iran, Russia, China and the European countries resumed negotiations in Vienna to revive the 2015 nuclear agreement, known as the Joint Comprehensive Plan of Action (JCPOA), that had sought to scuttle the Islamic Republic's nuclear programme.
- As Iran has refused to hold direct talks with the U.S., European officials will shuttle between the Iranian and American delegations, exchanging talking points and seeking common ground.

Relevance:

GS-II: International Relations (Foreign Policies affecting India's Interests)

Dimensions of the Article:

1. Joint Comprehensive Plan of Action (JCPOA)
2. History regarding the Iran Nuclear Deal
3. U.S. pull out of the deal and its implications

Joint Comprehensive Plan of Action (JCPOA)

- Joint Comprehensive Plan of Action (JCPOA) is known commonly as the Iran nuclear deal or Iran deal, is an agreement on the Iranian nuclear program reached in Vienna in 2015, **between Iran and the P5+1 (the five permanent members of the United Nations Security Council—China, France, Russia, United Kingdom, United**



States—plus Germany) together with the European Union.

- The 2015 JCPOA agreement sought to cut Iran off a possible path to a nuclear bomb in return for lifting of economic sanctions.
- According to the 2015 deal, Iran had to cut its stockpile of enriched uranium and keep them at a low purity level. Iran was also expected to restrict the number of centrifuges and open all its facilities to the inspection of the International Atomic Energy Agency (IAEA).
- Low-enriched uranium, with less than 5% concentration of the fissile isotopes U-235, is used in nuclear power plants. While uranium with 20% and more purity is used in research reactors, uranium with 90% purity is used in bombs. Centrifuges are used to enrich uranium.
- The above restrictions were meant to ensure that it would take at least one year (the breakout period) to manufacture enough highly enriched uranium and centrifuges to do so if Iran chose to renege on its commitments.
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History regarding the Iran Nuclear Deal

- In the 1970s, Iran received assistance in its nuclear program from the United States as part of the 'Atoms for Peace' program. The Shah of Iran even signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in 1968 as a non-nuclear weapons state and ratified the NPT in 1970.
- It all changed when the Iranian revolution threw the country's nuclear programme into disarray as many talented scientists fled the country. The new regime was openly hostile to the United States and thus ended any hope for assistance from them.
- In the late 1980s Iran reinstated its nuclear program, with assistance from Pakistan (which entered into a bilateral agreement with Iran in 1992), China (which did the same in 1990), and Russia (which did the same in 1992 and 1995), and from the A.Q. Khan network.
- Although Iran stated that its nuclear programme was for peaceful purposes, Western powers and their allies in the Middle East suspected that this was not the case.
- Back and forth negotiations between Iran and the western nations took place throughout the 2000s with little progress. Iran even created plants for heavy water and Uranium enrichment which led to economic sanctions from the United States and the European Union.

U.S. pull out of the deal and its implications



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- In 2018, U.S. administration under President Donald Trump unilaterally pulled the U.S. out of the nuclear deal amid doubts from its allies in the region of the ability of the nuclear deal to address Iran's growing influence in the region. It also reimposed economic sanctions on Iran.
 - The Trump administration also added that it wanted to negotiate Iran's ballistic missile programme as part of a new agreement.
 - Iran has since refused to engage with the U.S. administration for a new agreement. It has also resumed its nuclear programme. In fact Iran has substantially stepped up its nuclear activities since 2019. It has installed a substantial number of advanced centrifuges, which can enrich uranium more quickly. Iran has also started enriching uranium to 20% purity or more. The advances made by Iran in its nuclear programme has reduced the current breakout time to as little as a month.

USA-Iran tussle and India

- USA had decided to withdraw from 2015 Joint Comprehensive Plan of Action (JCPOA) reinstated sanctions on Iran, citing following reasons:
- It was alleged that Iran was placing restrictions on the work of the inspectors of the International Atomic Energy Agency (IAEA).
- The deal did not target Iran's ballistic missile programme, its nuclear activities beyond 2025.
- Iran's role in conflicts in Yemen and Syria.
- Also, analysts point to Tehran's banking on Paris and Berlin to come up with an alternative arrangement, one that allows Europe and Iran to conduct trade, business and diplomacy, a major cause of concern for US.

Implications of the sanctions

Impact on India Iran relations:

- **Energy trade:** In 2017, Iran provided 11.2 percent of India's crude oil imports, the third largest source after Iraq and Saudi Arabia.. India's oil imports from Iran fell about 57 per cent year-on year since the sanctions came into effect. This shows impermanence in Oil import arrangement of India-Iran jeopardising the energy security of India.
- **Strategic initiatives** with Iran- such as International North South Transport Corridor (INSTC), Chabahar port development.



Negative impact on the economy:

- **Rising inflation-** Iran is the third-largest oil producer in the Organization of the Petroleum Exporting Countries. Now Iran's supplies may fall by between 200,000 bpd and 1 million bpd. The price of oil has already shot up above the \$70 mark in April, 2019.
- **Widening Current Account Deficit-** given that the value of imports goes up with crude oil. It will further have effect on the value of Rupee, which may fall further.
- **Impact on Capital Markets-** Indian benchmark indices slid by around 1.3%, as investors rushed to sell shares on concerns that rising oil prices could stoke inflation and adversely affect already repressed consumption.
- **Loss of favorable oil import-** the substitute crude suppliers — Saudi Arabia, Kuwait, Iraq, Nigeria and the US — do not offer the attractive options that Iran does, including 60-day credit, free insurance and buying oil using Indian Rupee rather than spending crucial FOREX reserves.
- **Strategic Autonomy-** India envisages to assert it and balance the ties with both US and Iran. However, this seems to be eroding in favour of the US.

Impact on Iran:

- Fossil fuels contributed more than 53 percent of Iran's exports in 2017-18, and accounted for close to 15 percent of its Gross Domestic Product.
- The U.S. has managed to reduce Iran's oil exports from 2.7 million to 1.6 million barrels a month, according to internal U.S. estimates.

Bliss for China:

- The one country that has decided to take the sanctions as an opportunity is China. It has already shown interest in developing transportation and communication infrastructure in Iran.
- China's share in the destination for 44 percent of Iranian crude exports, significantly rose from 26 percent in January-June.
- This is crucial in Beijing's aim to reshape the global oil market, specifically by greater use of its own currency in oil trade. It fits in conveniently with Iran's proposed approach to circumventing the sanctions – conducting trade in currencies other than the US Dollar.



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