

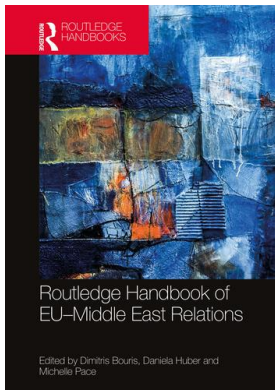
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THE EU AND IRAN

How a critical relationship became a troubled one

Cornelius Adebahr and Riccardo Alcaro

Introduction

Historically, Europe's relationship with the Islamic Republic of Iran has oscillated between estrangement and limited engagement. Before the 1979 revolution which ended the autocratic rule of the pro-Western Shah Mohammed Reza Pahlavi – which eventually resulted in the establishment of the Islamic Republic – Iran only had bilateral relations with individual European countries. This state of affairs ended in 1992 when the European Council formulated a unified policy towards Iran for the first time (European Council, 1992). The approach laid down then is, in principle, still valid today: The European Union (EU) aims for a critical but constructive relationship with Iran.

EU–Iran relations do not however exist in a vacuum, they are intertwined with each side's relations with the United States (US). It is within this European–Iranian–American triangle – made more complicated by divergences among EU Member States – that EU–Iran relations have developed. To illustrate, it was a period of transatlantic alignment that led to the conclusion of a landmark agreement limiting Iran's nuclear programme in 2015. The US's reorientation towards confrontation and economic warfare against Iran under President Donald Trump since 2017 has thrown EU–Iran relations into disarray. Currently, the EU and its Member States face the task of devising and implementing a strategy which builds on achievements in the nuclear field and at the same time contains the threat emanating from the regional escalation fuelled by a US–Saudi–Israeli anti-Iran axis. The stakes have rarely been more challenging for the EU to prove it can be a relevant actor in the Middle East.

Learning to know each other: European–Iranian relations in the 1980s–1990s

The establishment of the Islamic Republic led to a complete reversal of the pro-US policy of the Pahlavi dynasty, although the new regime remained equally aloof from the Soviet Union, America's Cold War archenemy. Tehran's very own "third" way – a form of Islamist-rooted non-alignment – included hostility towards the United Kingdom (UK), which had repeatedly interfered in Persia's internal affairs during the colonial era and beyond,¹ and complicated relations with the other West European countries. For their part, France, (then) West Germany

and Italy were uncomfortable with the religious fundamentalism increasingly espoused by the new regime and did not appreciate the latter's decision to force foreign companies out of Iran's energy market.

Mutual suspicion became further entrenched in the 1980s. The Europeans found the clerical regime's support for armed anti-Western groups troublesome, particularly in Lebanon. They were also appalled by the assassination of Iranian political exiles abroad – including in Europe (Halliday, 1998). The Iranians deeply resented that the Europeans had not only failed to denounce Iraq's aggression against Iran in 1980, but had actually leaned towards Baghdad, going as far as selling weapons and equipment Iraq later used for chemical attacks (Timmerman, 1991).

In the late 1980s and early 1990s, a combination of domestic and systemic factors ushered in a new phase in Europe–Iran relations. On the domestic front, the death of Ayatollah Ruhollah Khomeini, the uncontested leader of post-1979 Iran and a fierce critic of Western policies and culture, and the establishment of an executive presidency led to an expansion of the foreign policy debate within the high echelons of the Islamic Republic. Besides, the end of the war with Iraq in 1988 increased the appeal of international trade as a way to stimulate economic recovery at home. On the systemic level, the dissolution of the Soviet Union and the US's military deployments in the Gulf in the wake of the 1991 war against Iraq over Kuwait compelled the Iranians to think anew about their role in a profoundly changed region.

The Europeans were ready to intercept the Islamic Republic's desire to break its international isolation, as they agreed that a constructive relationship with Iran could be beneficial in terms of regional stability and diversification of their energy supply options. In addition, the 1991–1993 upgrade of the European Economic Community into a more integrated organisation, the EU, provided European states with both political incentives and an institutional platform to bring their Iran policies under a common framework.

The Europeans had to walk a fine line. They interpreted Iran's neutrality during the US-led war against Iraq and its assistance in the liberation of Western hostages in Lebanon as timid signs of moderation (Halliday, 1998; Mousavian, 2008). However, normalisation of relations was not on the cards. Khomeini's successor, Ali Khamenei, and his associates were unwilling to disavow the late leader's legacy and continued to plead allegiance to the Islamic Republic as a successful revolutionary experiment. Repression of dissidents at home and abroad continued, and the infamous *fatwa* against writer Salman Rushdie for allegedly offending Islamic beliefs was reaffirmed (Mousavian, 2008). Iran also continued to support anti-Western Islamist movements across the Middle East and opposed the Arab–Israeli peace talks in Madrid as well as the presence of US forces in the Gulf (Halliday, 1998).

The Europeans framed their renewed engagement of Iran as a “Critical Dialogue”, whereby they made the intensification of political and economic ties conditional on Iran addressing issues such as human rights, the *fatwa* against Rushdie, the Middle East peace process and nonproliferation (European Council, 1992). The Critical Dialogue engendered an expansion of institutional links and was the backdrop against which the EU resisted calls to join the US' dual containment (of Iraq and Iran) strategy (Struwe, 1998; Mousavian, 2008). However, the Critical Dialogue suffered serious blows, especially after a German court ruled that Iran's leadership had been involved in the assassination of Iranian Kurdish anti-regime exiles in Berlin (Mousavian, 2008).

The ensuing diplomatic crisis was overcome thanks to the election of reform-minded Mohammad Khatami as Iran's president in 1997. The Europeans saw Khatami's landslide as a chance to encourage change in the Islamic Republic. They upgraded the framework of EU relations with Iran into a “Comprehensive Dialogue” which, while keeping the focus on the

forementioned issues of concern, enlarged the scope of cooperation to drug trafficking, management of refugees (particularly from Afghanistan), trade, transport and energy. Iran reciprocated by easing its commitment to the *fatwa* against Rushdie (which was never however officially renounced; see BBC News, 1998), re-opening its energy sector to European investments (Makinsky, 2009) and, most crucially, assisting the political transition in Afghanistan after the overthrow of the Taliban in late 2001 (Dobbins, 2010). The climate of cautious opening was such that in 1999, Khatami visited Italy, the first time that an Iranian president had travelled to a European country since the revolution. By the early 2000s, the volume of exchanges with Iran had reached sufficient critical mass for the EU to draw a systematic plan of engagement on human rights, economic relations and security issues in the Gulf (European Commission, 2001). Negotiations over Political Dialogue and Trade and Cooperation Agreements were officially launched in early 2002.

The Comprehensive Dialogue was based on a wager rather than substance. In fact, the EU and Iran's reciprocal desire to improve relations was ultimately driven by difficultly compatible long-term preferences. The EU eventually aimed at fostering domestic reform and reducing, even eliminating, the Islamic Republic's antagonism towards the US. This made Iranians suspicious that the Europeans were pursuing a regime change policy different in means but not in its goals from the openly confrontational course pursued by the Americans. For the Islamic Republic's leadership, engagement with Europe served the pragmatic purpose of attracting foreign investments, gaining access to advanced technologies, breaking Iran's isolation and adding a layer of diplomatic protection from Washington. The domestic transformation or geopolitical shifts that the EU hoped for had never truly been on the agenda. Therefore, convergence was only possible on short-term goals such as increased trade and cooperation on sectoral issues, but it proved elusive as far as the endgame of the policy of engagement was concerned.

Even accounting for these divergences, however, the leaderships in both Europe and Iran were persuaded that engagement was the right way forward. This choice proved crucial when the dispute over Iran's nuclear programme emerged in full.

So far away, yet so close: Europe and Iran during the 2003–2015 nuclear crisis

Iran's nuclear programme became a major flashpoint after the 2002–2003 revelation that it was far more advanced than hitherto assumed. Ostensibly, the nuclear activities were civilian in nature. There were however early suspicions that Iran may have developed secret weapons-related activities. While this would only be independently confirmed at the conclusion of the negotiations over the nuclear deal through the work of the International Atomic Energy Agency (IAEA), the United Nations (UN) nuclear watchdog (IAEA, 2015), even a civilian nuclear programme presented major proliferation risks. By completing the nuclear fuel cycle, Iran would have eventually acquired the know-how and industrial capacity to produce the fissile material needed not only for reactors but also for weapons, as the process required (uranium enrichment and plutonium separation) is basically the same (International Crisis Group, 2003; International Crisis Group, 2004).

The Iranian nuclear activities posed two orders of threats to European interests. One threat was to Europe's normative interest in the endurance of the global nonproliferation regime. EU leaders assumed that the prospect of a nuclear-capable Iran would eventually spur other countries in the region – Saudi Arabia, Turkey and perhaps Egypt – into emulation for deterrence purposes. The Nuclear Non-Proliferation Treaty (NPT), which the EU considers a pillar of international security and to which all aforementioned countries were parties, would have most

likely crumbled under the pressure of a nuclear arms race in the Gulf. The other threat was to Europe's security interest in regional stability. EU leaders feared that Iran's rivals – notably Israel and the US – would use military force to slow down Tehran's nuclear progress, and that Iran's retaliation could trigger a major regional conflict. Giving credence to this hypothesis was the belligerent rhetoric against Iran of the George W. Bush administration (2001–2009), which had invaded Iraq ostensibly to stop its development of weapons of mass destruction – although these proved to have never existed in the first place (Denza, 2005; Kile, 2005; Alcaro, 2018).

France, Germany and the UK – since 2004 joined by the then EU High Representative for foreign and security policy (the E3/EU) – were determined to defuse these threats. Ignoring American protests, the E3/EU invited Tehran to negotiations aimed at producing verifiable guarantees of the solely peaceful nature of Iran's nuclear programme. Although the talks had reached a dead end by 2005, the E3/EU managed to win international credibility for their strategy based on a combination of diplomacy and pressure (including sanctions). This “dual track approach” eventually provided the common ground on which the E3/EU were joined by the non-European permanent members of the UN Security Council, the more hawkish US and the more lenient China and Russia (Posch, 2006; Alcaro, 2018).

This enlarged E3/EU+3 format presided over years of intermittent and at times acrimonious interactions with Iran. The diplomatic track gradually gave way to international sanctions, most notably in 2010–2012, when EU Member States dramatically cut off their commercial ties with Iran and even adopted an oil and gas embargo (Council of the European Union, 2010; Council of the European Union, 2012). The hardening of the E3/EU position reflected the assessment that the Obama administration (2009–2017) saw the use of sanctions as a means to get to an agreement – an objective it shared with the Europeans – and not to keep Iran indefinitely isolated or to undermine the clerical regime (Alcaro, 2018). Once Iran had reached the same conclusion, Washington and Tehran began backchannel talks in mid-2012. This led to the conclusion of an interim agreement soon after the election of Hassan Rouhani as Iranian President in June 2013. It took another 20 months of talks, breakdowns and extensions, but eventually the E3/EU+3 and Iran concluded a final agreement in July 2015.

The deal, known as the Joint Comprehensive Plan of Action (JCPOA), imposed strict limits on Iran's nuclear activities, which would in addition be subject to an intrusive IAEA inspection regime. While most restrictions would be gradually phased out 10 to 25 years after the inception of the agreement, others would indefinitely remain in place – like Iran's adherence to enhanced inspections under an Additional Protocol to the NPT. In return, Iran was given substantial economic relief, as the UN and the EU lifted all nuclear-related restrictive measures while the US suspended its relevant sanctions (E3/EU+3 and Iran, 2015; Adebahr, 2016; Fabius, 2016).

Even if they had played a secondary role, the E3/EU could legitimately lay claim to significant achievements. They filled a dangerous diplomatic vacuum in 2003 when the US was not ready to talk to the Iranians, and the Security Council was too divided to step in. By getting Iran to start nuclear talks, the E3/EU forced it to acknowledge (implicitly, at least) that something was amiss with its nuclear activities. The E3/EU devised the dual-track approach around which the Security Council would find an enduring consensus, which furthermore provided Washington with a diplomatic avenue to re-engage with Tehran bilaterally. The enlarged E3/EU+3 format raised the international profile of the EU, as three different High Representatives – in chronological order: Javier Solana, Catherine Ashton and Federica Mogherini – acted as chief interlocutors to the Iranians. The Europeans also proved ready to pay a heavy price in order to put pressure on Iran, as sanctions affected their own economic and energy interests (from 2011 onwards EU–Iran trade collapsed). Finally, Europe's resolve was instrumental in

persuading a number of Democrats to block any move by the US Senate, where opposition to the nuclear deal was widespread in the Republican majority, which could jeopardise the eventual entry into force of the JCPOA (Alcaro, 2018).

The nuclear agreement served Europe's strategic interests in nonproliferation and regional stability while also re-opening Iran's market to European investors and exporters. No less important was the fact that the deal set a precedent for consensual dispute resolution among rival parties. This was meant to facilitate a more constructive interaction on other issues of concern for Europe, notably Iran's ballistic programme and its role in Iraq, Syria, Lebanon and Yemen (Adebahr, 2017).

Re-engagement with Iran was always Europe's ultimate goal. This long-term perspective had often not been apparent to analysts, who contended that the pre-eminence of the nuclear dispute had allowed the E3 to take full control of the EU's Iran policy and move it from the persuasion-based approach of the Comprehensive Dialogue to a more confrontational stance based on conditionality and sanctions (Hanau Santini, 2010; Kaussler, 2012). Yet, even if the E3/EU's action did result in the freezing of the overall EU–Iran agenda, it remained very much predicated on the strategic assumption that compromise on the nuclear file could lead to constructive engagement with Iran. Throughout the 12 years of the nuclear dispute, the E3 continued to discursively construct Iran as a legitimate interlocutor and a potential partner. As a matter of fact, the compatibility of the E3/EU's action with the established EU foreign and security policy discourse ensured that intra-EU support for the E3 never wavered despite the unorthodox nature of the format (Alcaro, 2018). This is evidenced by the fact the E3/EU process neither fragmented the EU's Iran policy nor pushed individual EU countries to seek to engage Iran separately.

Far from undercutting the pre-existing EU policy towards Iran, the E3/EU action was actually based on a re-elaboration the elements which composed it, notably the focus on nonproliferation, diplomatic engagement, the promise of improved EU–Iran relations and the promotion of rules-based regimes. The E3/EU narrowed the scope of the EU's Iran policy to nonproliferation, yet they also gave it a more proactive character (Alcaro, 2018). In this regard and as stated previously, the JCPOA was not the end goal but a necessary intermediate step, as it contained the promise of a transformation of EU–Iran relations (Adebahr, 2017). The problem was that the transformational potential of the JCPOA remained largely dependent on the general trajectory of US–Iran relations. This turned out to be a lesson the Europeans and Iranians had to learn the hard way, after the election of Donald Trump as US President.

Back to square one? Europe and Iran in the Trump era

The 2016 US presidential election turned the prospects for EU–Iran relations from promising to imperilled within a short time frame. Already in the run-up to the vote, EU companies and banks had been reluctant to follow through on business deals they had envisaged. This was because Washington's so-called primary sanctions had remained under the deal, banning US-based companies (including EU subsidiaries), from engaging in nearly any trade (except in food, drugs and medical equipment) with Iran, and in any business relation with the Islamic Revolutionary Guards Corps (IRGC) in particular. The prospect of a President who had promised on the campaign trail to tear the nuclear deal apart – as Trump had on several occasions, although he had also said he would get a better deal – created additional uncertainty among the business community. What was thus considered a “warming up” period of European companies (re-)establishing relations with their Iranian counterparts soon turned decisively cool again (International Crisis Group, 2017). The irony was that the Europeans' interest in dealing with Iran

was mainly strategic rather than economic. The increase of economic ties in the wake of the JCPOA was a welcome side-effect for EU exporters and investors. For policymakers, however, it was mostly about fulfilling Europe's obligation in return for Iran complying with the deal, and a means to build reciprocal trust.

The EU began to develop a broad agenda for bilateral cooperation on “economic relations, energy, environment, migration, drugs, humanitarian aid, transport, civil protection, science and civil nuclear cooperation, as well as culture” (European Commission, 2016). In this spirit, a high-level EU delegation visited Tehran in April 2016, headed by High Representative Mogherini and composed of a further seven EU commissioners, as a visible expression of Europe's intention (European Commission, 2016). Likewise, the European Parliament passed its own *EU strategy towards Iran after the nuclear agreement*, envisaging a dialogue that should be comprehensive in scope; cooperative in fields of mutual interest; critical, open and frank in areas of disagreement; and constructive in tone and practice.

The economics of the EU strategy, however, could not match the politics of broadening bilateral ties. Besides the hesitance on the part of EU companies due to the risk of incurring American sanctions, there were also difficulties on the Iranian side. Because of heightened requirements for due diligence in the financial sector, Tehran would have to comply with the terms developed by the Financial Action Task Force (FATF), an intergovernmental organisation tasked with fighting money-laundering and the financing of terrorism. Tehran began to clean up its banking system following the signing of the nuclear deal (Financial Action Task Force, 2017). However, a theoretically technical, non-political exercise turned into a fierce debate among the country's pragmatic and hardliner factions. Opponents saw compliance with FATF's terms as “sanctions through the backdoor”, as they could indirectly limit Iran's ability to fund its foreign policy plans (Shahidsaless, 2018). However, without full implementation of the FATF conditions, European companies could not (and cannot) operate freely in the Iranian business environment.

Meanwhile, Trump made the US policy towards Iran decisively more aggressive. While the new US president initially upheld Washington's commitments (if only grudgingly), he disparaged the JCPOA in public and put pressure on the E3 to “strengthen” it – mainly through increased inspections, an extended duration, as well as by including curbs on Iran's missile programme. Yet just when the E3 felt they were close to a hard-fought compromise with Washington (although critically not with Iran itself), in May 2018 Trump formally announced America's withdrawal from the JCPOA – or, rather, the end of its compliance with it.

By the end of 2018 Washington had fully re-imposed its predeal set of economic sanctions against Iran, and it has further increased them since. Crucially, US “secondary sanctions” returned in force, threatening the companies from third countries – including European ones – with considerable fines or other restrictions to their US-based activities should they fail to stop doing businesses with Iran. The aim of Trump's “maximum pressure” campaign was to cut the regime off from its revenue streams, in particular by banning oil exports (which account for 70% of Iran's total exports), and targeting its financial transactions (Krauss, 2018). After US Secretary of State Mike Pompeo detailed a list of 12 maximalist demands to Tehran, which ranged from abandoning its entire nuclear programme and ending support for Hezbollah and Hamas to withdrawing from Syria (Pompeo, 2018), many observers came to the conclusion that the end goal of the new US policy was regime change (Tisdall, 2018).

This approach was clearly incompatible with the EU's policy of critical but constructive engagement. Besides, the re-imposition of sanctions with extra-territorial effect has deepened the transatlantic rift. The EU has come forward with a number of specific measures to defend the JCPOA to enable trade, but it has had very limited success, if any at all. As a first step, the

EU – in August 2018 – re-activated its blocking statute dating back to previous transatlantic disputes over policy on Iran (and Libya as well as Cuba) in the 1990s. This regulation forbids European companies from complying with US sanctions, and offers to compensate them in case of fines being imposed for legitimate trade (International Crisis Group, 2016). Politically, however, the ultimate threat to confiscate US assets in Europe in return for Washington fining EU companies would be difficult to follow through. Moreover, the chances of settling the dispute over sanctions with Washington within the World Trade Organisation (as the EU did in the 1990s) was futile with a US president ready to start a trade war without respect for global trade rules. The blocking statute has thus come to be seen as a symbolic measure with no effect on companies, which were quick to cease their Iran business as soon as US sanctions were announced.

More important, but still with little practical impact, has been the creation of a special purpose vehicle to facilitate financial transactions with Iran. The Instrument in Support of Trade Exchanges (Instex) became operational in 2019 as a joint enterprise of France, Germany and the UK. A sort of financial clearinghouse, Instex could for example settle Iranian crude exports to a French firm with Tehran's purchase of German manufactured goods by enabling indirect money transfers on both sides, namely from the French to the German company and between the Iranian importer and exporter. Handling such deals by involving euros rather than dollars and without any funds going into Iran, Instex has aimed to avoid US extra-territorial sanctions. However, big multinationals with significant exposure to the US market feared they could still be sanctioned by Washington (Norman, 2018). With no significant business other than trade in humanitarian goods (which remains outside the remit of US sanctions) going on, the hoped-for effects of Instex can only materialise in the long-term, if ever. By enhancing the international role of the euro, especially with non-EU partners possibly joining as shareholders, Instex retains the potential to open a way for reducing the dollar's dominance in global business, and hence Washington's ability to impose its will on companies under EU jurisdiction.

Both the blocking statute and Instex were thus heavy on symbolism but short on substance – a fact that the Iranian government deplored at the time. A year after the US ceased to comply with the JCPOA and with European efforts to save the deal falling far short of their expectations, Iran announced its departure from full compliance (BBC News, 2019). In a choreographed process with new steps being taken every two months, Tehran first passed the agreed threshold for low-enriched uranium stocks and then the level of enrichment itself. The third phase of non-compliance began in September 2019, with Iran engaging in previously banned areas of research and the development of centrifuges (the machines needed to enrich uranium). These purportedly reversible steps were meant to put pressure on the remaining parties to the deal – the E3/EU as well as China and Russia – to provide the economic benefits promised to Iran, mainly oil exports and financial transactions. This is the reason for which, despite the American and then also Iranian violations of the deal, none of the JCPOA signatories have triggered the official complaint procedure so far.

While the gradual and ostensibly reversible reduction of Iran's commitment to the nuclear deal was carefully calibrated not to raise fears of an immediate “dash for the bomb”, Tehran has shown less restraint in upping the ante on the regional theatre. Beginning in May 2019, attention shifted from the nuclear standoff to the Persian Gulf when a string of attacks on tankers raised tensions in the region – and subsequently oil prices in international markets. When Tehran downed a US drone in its airspace (as it claimed), President Trump ordered an aerial attack in response – only to call it off at the last moment. The UK and Iran engaged in a tanker tit-for-tat when each seized a vessel of the other only to release it after a long standoff.

The most glaring incident came in late summer when drones and missiles hit oil facilities deep inside Saudi Arabia. While Yemen's Iran-backed Houthi rebels immediately claimed responsibility, first the US and Saudi Arabia, and later also the E3 pointed to Iran as the origin of those attacks. The burning processing facility and oilfield knocked off about half of Saudi Arabia's estimated daily oil output of 9.7m barrels – equivalent to 5% of global production (more than what Iraq's attack on Kuwait in 1990 took off markets). This led to an immediate price hike of 20%. Still, Saudi Arabia and its Gulf allies have not rushed to ask for military retaliation: despite being staunchly opposed to Iran, they did not – and still do not – have an inclination to go to war with their neighbour.

This latest escalation came at a time when the Europeans – in the person of French President Emmanuel Macron – had started a diplomatic initiative to arrange direct talks between Presidents Trump and Rouhani. As the host of the annual Group of Seven (G7) summit in August 2019, Macron pulled a stunt by inviting Iranian Foreign Minister Javad Zarif. Zarif only met a group of European interlocutors, not the US president. France made another attempt during the UN General Assembly in New York in late September, but President Rouhani eventually refused to meet his American counterpart unless US sanctions were lifted first.

With the latest French overtures to facilitate such a high-level meeting, a fierce debate erupted in Iran, with hardliners of all stripes lambasting Rouhani for trusting the US by signing the nuclear deal in the first place. As Washington has failed to respect its commitments, it has become a question of national pride for the Iranians whether – and under which heavily circumscribed conditions – a new negotiation round with Washington should commence.

The maximum pressure policy pursued by President Trump has had the effect of bringing the situation around Iran closer to war than at any time since the 2003 Iraq invasion, when Washington hawks had their eyes set on Tehran. However, the possibility of a US-Iran summit was also less far-fetched than assumed. If, in the past, it was Washington blaming the Europeans for engaging in “futile diplomacy” (wrongly so, as the eventual signing of the nuclear deal proves), the previous US president appeared most eager to make a deal. More than providing an off-ramp from the dangerous brink – in itself no small feat – such talks would have to address issues of regional security, from commercial shipping in the Persian Gulf to the defence postures of littoral states.

These were gaps that the JCPOA deliberately left open, as the nuclear issue was more urgent and a degree of trust had to be built before moving onto other even more complicated issues. Always Europe's calculus, this strategy could only work if the US adopted it as well, as it did under Obama. In a way, the EU – and especially France – has been trying to once again bring the US administration towards the realisation that conditional engagement, not just pressure, is the best way to extract concessions from Tehran. Yet they are operating in a much-worsened environment, as Iran's confidence in European abilities to influence US choices has been severely dented by the E3/EU's failure to fight back against US extraterritorial sanctions.

Conclusions

The summer 2019 escalation in and around the Persian Gulf has side-lined the EU and its Member States. Brussels' initial reaction to Washington's withdrawal from the nuclear deal was to prevent the unravelling of the internationally recognised agreement itself, yet with Iran severely restrained in its oil exports and no longer respecting the limitations imposed by the JCPOA, the agreement is barely alive anymore. From a demanding but manageable negotiation process, the issue has shifted to a near-direct confrontation between Iran and the US on the one hand, and a festering transatlantic dispute on the other. Relations with the EU have lost their

relevance from Iran's perspective: if European capitals have to ask Washington for permission before engaging, what value does European policy have?

In the end, the Europeans will have to decide what degree of autonomy they aspire to – and what price they are willing to pay for it. At the time of writing, the Europeans are still betting that they can escape the question. They assume that Iran has an advantage in waiting out President Trump, and count on a less confrontational successor being willing to re-engage the Iranians on terms the Europeans would find acceptable. However, not only is hope not a strategy, but Europe's focus on the US does not consider the areas of disagreement between the EU and Iran outside the nuclear-trade nexus.

The EU and its Member States will have to balance their policies in two directions. One points towards the US, which has jeopardised Europe's security interest by withdrawing from the nuclear deal and pursuing an incoherent policy of regime change in Tehran. The other points towards the Islamic Republic, which engages in a number of activities the EU is opposed to, spanning missile development and deployment, involvement in regional conflicts, as well as severe restrictions to individual liberties.

The Union can only achieve this balance if it develops its own autonomous approach. Its 1992 policy on Iran was, in hindsight, a decent start. When they started the nuclear negotiations in 2003, the E3/EU made a bold move that paid off considerably 12 years later. Now, with the nuclear agreement almost in tatters and the region on the brink of war, Europeans should continue to pursue de-escalation through constant engagement of Iran and mediation attempts between Tehran and Washington. Europe's strategic interest in a pragmatic relationship with the Islamic Republic remains as pressing today as it was in the past.

Note

- 1 For an account of how Iran/Persia was a critical theatre for the British Empire, from its competition with Tsarist Russia over access to Central Asia and India to securing Iranian oil wells and Allied supply lines during World War II, as well as to the UK's role in the coup that overthrew democratically elected Prime Minister Mohammed Mossadegh in 1953, see Frankopan, P. (2015) *The Silk Roads. A New History of the World*. London and New York: Bloomsbury.

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