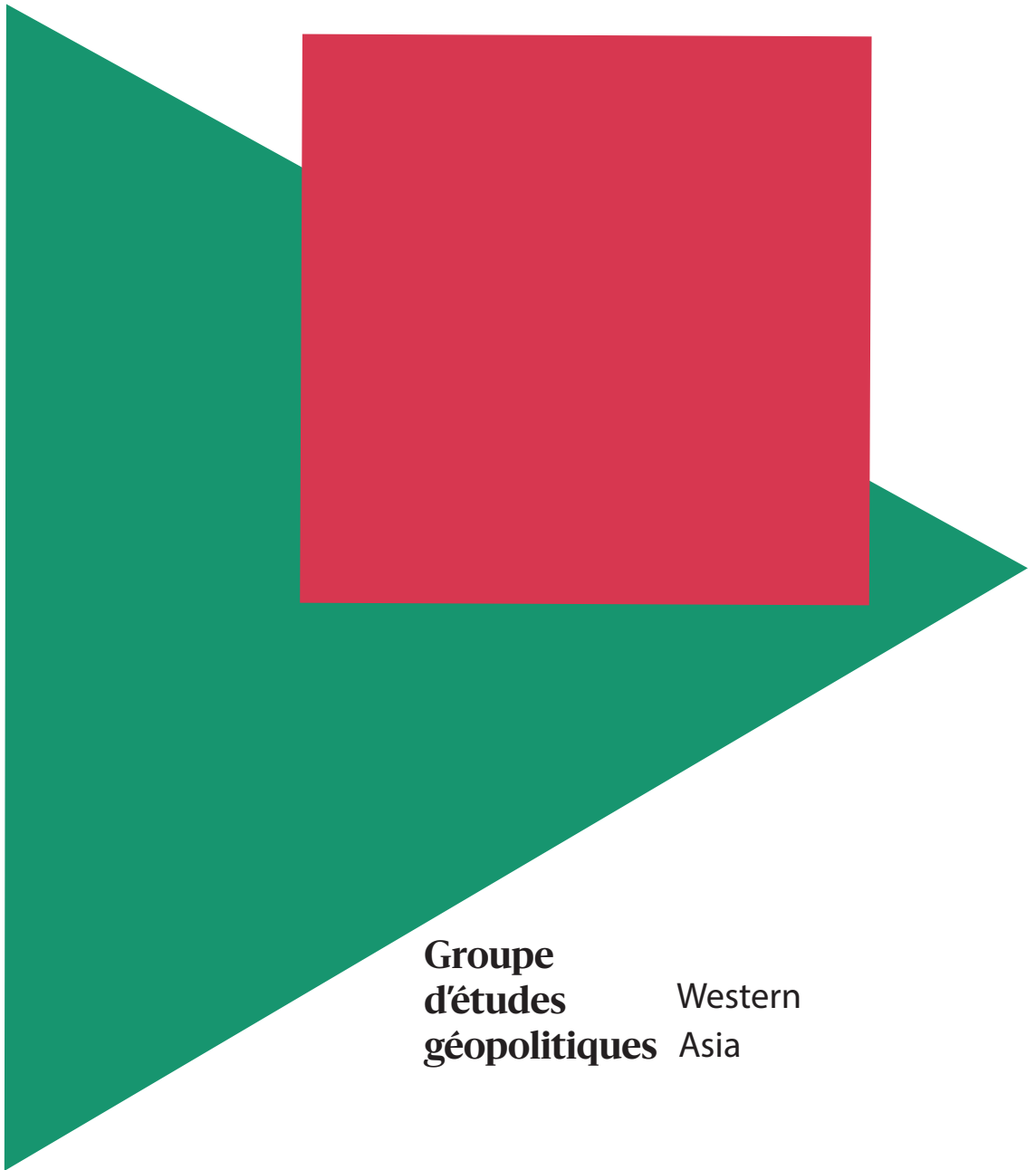


Iran, the day after. For a new Iranian policy of the European Union



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Foreword

TThere is every reason to believe that the shock of the COVID-19 pandemic will be particularly devastating in the Middle East. The region counts several failed states, a collection of authoritarian governments more prone to political manipulation than implementing the necessary policies, fragile health systems (with few exceptions), anaemic economies, again with few exceptions (some oil monarchies), and a profound lack of trust for governments. The low price of oil will amplify the shock of the pandemic.

What about Iran? This country was the first source of contamination in the region, and the human toll is particularly high. The scourge of Covid-19 has struck a country already weakened by US sanctions. The fact that Tehran has sought IMF support for the first time in 60 years is an indicator of the distress of the Islamic Republic's leaders. Does this context offer an opportunity to reshuffle the cards between the international community and Iran? On the contrary, President Trump seems to consider the health crisis as an additional lever to provoke a hypothetical regime change in Tehran. But his stay in the White House might be coming to an end and other global powers, most notably in Europe, should act decisively to bring humanitarian aid to the Iranian population, renew dialogue with the authorities of the Islamic Republic - and prepare for the future.

Diplomatic actions can only be fruitful if the leaders concerned have an idea of what the «day after» will be like. The document presented by Le Groupe d'Etudes Géopolitiques below offers essential insights in this respect, shedding light on the weaknesses of European policy in recent years and the different facets of what could be a middle and long-term approach to Iran policy.

Executive Summary

The present note proposes a review of the Iranian policy of the Europeans and an aggiornamento of its ambitions based on three hypotheses:

- The American policy of maximum pressure has proven its ineffectiveness, even its dangerousness;
- Particularly isolated and weakened, the Iranian regime will be pragmatic enough to accept new negotiations as soon as they can lead to an improvement in its political and economic situation;
- Iran's destabilising activities are a legitimate security concern for Europeans; they call for new and more ambitious negotiations to obtain a reduction in such activities.

Therefore, we suggest reconnecting the different dimensions of Europe's Iranian policy, which for the time being deals too autonomously with the issues of nuclear proliferation, the ballistic missile programme and Iran's regional influence. We outline how Europeans could defend a new regional security architecture in which Iran would have an interest in normalising the different dimensions of its power, in exchange for the international recognition it lacks today.

- On the military level, Iran's access to Western European weapons technologies would be conditional on Tehran abandoning its military nuclear and ballistic proliferation programmes, without any expiry clauses. We propose the establishment of a United Nations monitoring body to verify Iran's compliance with the abandonment of its ballistic missile programme.
- On the diplomatic level, Europeans could provide Iran with guarantees of its return to the international financial system, in exchange for ratification of the Palermo Convention, the FATF recommendations and the opening of an open dialogue with Tel Aviv
- Finally, on the geopolitical level, Europe could defend the controlled institutionalisation of Iranian influence in Iraq in order to complete the security services reform in that country. We also propose, like others before us, the establishment of a crisis prevention and management mechanism' to promote dialogue and de-escalation in the event of new regional tensions, particularly in the Straits of Hormuz and Iraq.

Faced with a volatile agenda, only a solid strategic course, based on an objective analysis of Europe's interests in its relations with Iran and on different diplomatic formats, will enable European diplomacy to pull through for the «day after»: after the coronavirus, after the American and Iranian presidential elections, after the end of the JCPOA, after the intensification of internal protests within the regime, after the death of the Guide.

Pierre Ramond • Head of the Western Asia Program, Groupe d'études Géopolitiques, École Normale Supérieure de Paris (2015)

Leopold Werner • Public civil servant

Iran, the day after. For a new Iranian policy of the European Union

In terms of the geopolitical challenges facing Europe, Iran has undoubtedly been one of the areas of most considerable diplomatic attention in recent years, both domestically and at the European level. There are many objective reasons for this attention. Iran, like Turkey, is a close neighbour of our continent, which is thus particularly exposed to the risks of Iranian proliferation, whether in the area of ballistic missiles or nuclear weapons. Iran is also a key player in Iraq and Syria, two countries whose civil wars caused, in part, the migration crisis of 2015 that greatly affected the Union.

As early as the beginning of the 2000s, a French initiative was led with the United Kingdom and Germany to negotiate the introduction of limitations on Iran's nuclear programme with Tehran, the opacity of which was seen as the proof that the Islamic Republic was running a secret programme for obtaining nuclear weapons. These discussions resumed with the election of Rohani as President of the Islamic Republic in 2013 and reached a successful conclusion in July 2015 with the signing of the JCPOA. The European Union, embodied by the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP), was then in the front line, defending a balanced application of the agreement. The Union worked both with the International Atomic Energy Authority (IAEA) on Iran's compliance with its anti-proliferation commitments and with the European nations and the United States for the lifting of some of the international sanctions against the Iranian economy. It is revealing that Federica Mogherini, between 2015 and 2018, was one of the West's best known political personalities to Iranian public opinion.

Following the United States' withdrawal from the JCPOA and the introduction of unilateral extraterritorial

sanctions by the United States, a special financial vehicle, INSTEX, was once again developed at the European level, which in theory would allow trade relations to continue in areas not sanctioned by the United States (humanitarian goods, food, health products). More recently, the European signatory states of the JCPOA (France, Germany, United Kingdom, commonly referred to as «E3») delegated to the new HR/VP, Josep Borell, the responsibility of representing them vis-à-vis Iran in the framework of the Dispute Resolution Mechanism of the JCPOA. Europeans activated this mechanism, which has a binding but flexible timetable, to find a solution to the dead-end in which the JCPOA now finds itself. The Iranian response to the reintroduction of American sanctions has taken the form of a gradual and transparent reduction of Iran's commitments set out in the Agreement (capping of the level of uranium enrichment, maximum storage of enriched uranium, limitation of heavy water production, capping of R&D spending in the nuclear field). While the JCPOA remains legally valid, it is now devoid of effective content.

It is understandable, in this context, that Ursula Von der Leyen insisted on the importance of the Iranian dossier, in view of the «geopolitical European Commission» that she intends to head. We believe it is necessary to propose a new Iranian policy for Europe in three stages in order to break the current deadlock on this subject.

First of all, we are showing that European policy towards Iran is becoming less and less coherent. Secondly, we explain that a new regional security architecture is possible in the Middle East, which the European Union is in the best position to promote. Third, we show when and with which partners Europeans could launch this architecture.

I. The risk of a disconnected European policy

A. Three European Iranian policies

The Iranian policy of Europeans is characterised by a plurality of approaches, running the risk today of a loss of internal coherence and a blurring of the objectives pursued. The ramifications of the Iranian dossier are numerous, and it seems reasonable that plural initiatives should be carried out to manage its various aspects, whether on the political, economic, security or diplomatic level.

There are at least three different, albeit interrelated, variations of what an Iranian policy in Europe would be. A first understanding depends on the diplomatic position defended by the E3 and the European Commission, denouncing the American withdrawal from the JCPOA and seeking to implement financial arrangements to pursue trade relations with Iran despite American sanctions. While this position was initially intended to give life to the JCPOA by proving to Iran that the positive economic spin-offs of the agreement are real, it has now also beco-

me a sovereignty issue. Bruno Le Maire, France's Ministry of the economy, thus insists on the importance of the Iranian dossier, which symbolises the need for Europe to acquire independence from the dollar within the international monetary system.

The second understanding of Europe's Iranian policy focuses on the objective of nuclear non-proliferation. It creates a balancing act between, on the one hand, diplomatic encouragement to Iran to restrict itself from developing a nuclear programme outside of the framework set out by the JCPOA¹ and, on the other hand, much more robust public positions on the development of missile programmes by the Islamic Republic.² This second approach is itself subject to oscillations, as not all European diplomats have the same vision of the balance to be adopted between encouragement and threat.

A third European Iranian policy is finally to react to Iranian influences in the Middle East, particularly in Iraq, Syria and Lebanon. This is a subject dealt with by national diplomacy rather than by the Union. It is characterised by its great complexity, because Iran acts in the Middle East unofficially, under cover of various groups and according to local political developments. It is also the area where Europeans seem, a priori, to have the least effective leverage. For example, European diplomacy has been powerless to counter the ever-growing influence of pro-Iranian coalitions and militias in the Iraqi arena over the last few years. They were just as powerless when confronted with Tehran's support for Bashar al-Assad during the Syrian Civil War or with the threatening presence of Hezbollah in the Syrian South, close to the border with Israel. The Western chancelleries in Tehran are deprived of official exchanges with the Revolutionary Guards, in charge of Iran's effective diplomacy in the Middle East. In the absence of such dialogue, European diplomacy is condemned to treat Iranian influences in the Middle East in silos, on a state-by-state basis, as an exogenous factor which is nonetheless fundamental for the stability of the region.

A partial response now seems to be emerging at the European level regarding the regional aspect of Iranian policy. It consists of mounting an operation, in the framework of the EU's Common Security and Defence Policy (CSDP), to send military ships into the Strait of Hormuz in order to better observe the situation and deter possible disruptions of traffic in this international strait, which is crucial for the transport of oil. This response, while positive in itself, is nonetheless limited, as it focuses only on one of the sub-regions where Iran has a strong power of interfe-

rence. European proposals remain to be made, in particular concerning a stabilising presence in Iraq, at a time when the activities of the international coalition against ISIS in that country are rapidly losing momentum in the wake of General Soleimani's death.

In this context, taking stock of Europe's Iranian policy amounts to assessing the effectiveness of each of the three pillars described above. On the diplomatic level, the American withdrawal from the JCPOA has dramatically compromised its effectiveness. The efforts of the E3 to set up, in partnership with the European External Action Service, a financial compensation mechanism (INSTEX) aimed at enabling companies from these three countries to carry out commercial transactions with Iran in areas not sanctioned by the United States, without direct transfer of money between the commercial banks of the two parties, have for a long time aroused more frustration on the Iranian side than they have made it possible to alleviate the disastrous effects of the American withdrawal on the Iranian economy.³ The first compensation allowed by INSTEX did not take place until March 2020, a year and a half after its creation, and in the face of the urgent need to enable Iran to obtain medical equipment.⁴ Concerning the second pillar - the fight against nuclear and ballistic proliferation - it must be noted that the Islamic Republic today has one of the most advanced missile arsenals in the world, as well as a growing stockpile of enriched uranium, which poses the risk of a return to a policy of military proliferation. The idea of Iran's withdrawal from the Non-Proliferation Treaty, long considered indefensible, is now running its course and convincing a growing part of the Iranian political intelligentsia.⁵ The third pillar's record is no better, as Iran's influence in Syria, Iraq, Yemen and, to a lesser extent, Lebanon has grown in recent years.

B. The need for a new coherent European strategy to be drawn up rapidly

Europeans' Iranian policy thus appears fragmented and insufficiently coherent as a whole. Each of the initiatives taken by the European Union or the E3s naturally responds to its logic, but they no longer seem to be part of a coherent overall strategy. This fragmentation is particularly problematic insofar as the Islamic Republic, for its part, is linking the different aspects of its foreign policy in

1. European diplomacies recognise, in this respect, that Iran remains generally committed to an approach of transparency, lending itself to IAEA inspections.
2. The issue of missile proliferation is closely linked to that of nuclear proliferation, as missiles are the possible delivery vehicles for nuclear warheads. The European states condemn, for example, Iran's development of space launcher technologies, which are similar to those used for the launch of intercontinental missiles capable of carrying nuclear warheads.

3. The United States has embarked on a barely concealed policy of deterrence so that European banks do not dare to use the INSTEX mechanism for fear of being sanctioned, even though the commercial areas covered by INSTEX are in theory not covered by US sanctions. On the European side, the overcompliance of the banks, motivated by dissuasive examples of US sanctions in the past (BNP Paribas in particular), makes it particularly difficult for INSTEX to be effectively set up. On the Iranian side, the establishment of an authority capable of organising local compensation between importers and exporters has been particularly slow, blocked by domestic political issues.
4. In the meantime, Switzerland has set up an independent financial channel with US approval for the supply of medical goods to Iran, which has so far been more effective.
5. A legislative text proposing Iran's exit from the NPT was transmitted to the National Security Commission of the Iranian Majlis on February 1st 2020 (ISNA, «[The NPT Exit Plan](#)»).

Islamic Republic of Iran Annual Growth

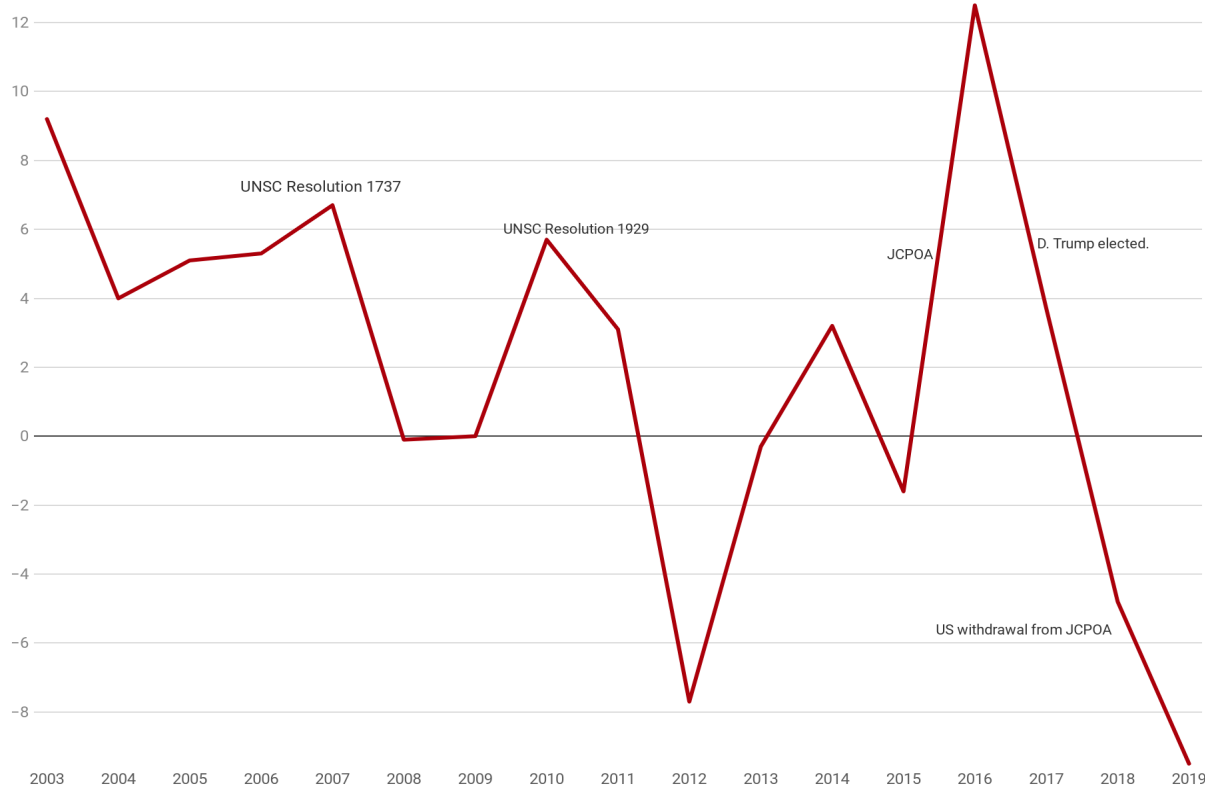


Chart: Groupe d'études géopolitiques Pierre Ramond • Source: FMI

its relations with Europe and the United States. Tehran's strength has consisted, for example, in using its regional influence to force its neighbours to accept its nuclear programme. The acquisition of a nuclear deterrence would in return enable Iran to consolidate its regional influence. In the same way, this linkage allows the Islamic Republic to play on regional levers in order to put pressure on a diplomatic discussion. A game which the regime then legitimises by the need to protect itself outside its borders given the absence of effective diplomatic dialogue with the West.

Europe's response to this overall strategy today must rest on a new, inclusive and coherent vision of its relationship with Iran over the medium term. This vision must rely on an objective assessment of the interests that Europe has to defend in its relationship with Iran. It must also be consistent with the objectives pursued by Iran and the United States, without which no sustainable *modus vivendi* in the region seems possible today. It should be made clear that such a strategic redefinition should not lead to a spectacular break with the past. It should be based on continuity, whether in terms of formats (the importance of the High Representative and the E3 format, which Italy could join) or fora (UN framework and the so-called P5+1 framework of the JCPOA).

This aggiornamento must finally take place rapidly. Firstly, because the diplomatic and security context has changed considerably since 2010-2015 and the JCPOA, on which Europe has mostly based its new relations with the Islamic Republic. Since 2015, Iran has accelerated the development of a robust ballistic missile programme, which it has already used twice outside its borders (twice in Iraq, against ISIS and an American-occupied Iraqi base). It has also shown a capacity for nuisance that is potentially fraught with economic consequences in the Straits of Hormuz. It has indirectly attacked ARAMCO's oil infrastructure in Saudi Arabia. Finally, it consolidated a decisive political advantage in Iraq and Syria. Secondly, this aggiornamento has to take place quickly because a new political sequence, complex but critical, is about to begin, with the JCPOA coming to an end, the American and then Iranian presidential elections, the end of the UN embargo on the sale of arms to Iran, and finally the triggering by the E3 of the dispute resolution mechanism of the JCPOA. Only a solid strategy will enable Europe to stay on a constructive course, and thus to play a real role, in the face of the contingencies of this agenda with its unpredictable outcomes.

II. A new security architecture in the Middle East is possible

A. The priorities of the different actors to be taken into account

What are the long-term priorities that Europeans have to defend in their relations with Iran? The first of these is security; it is a question of countering the risk of nuclear and ballistic proliferation, in Iran as in the rest of the region (southern Syria and Iraq, Yemen), as well as the emergence of new terrorist groups in the Middle East. The United States share these fundamental concerns which are the starting points for any future negotiations.

Beyond the direct security issue, Washington and Brussels have distinct sensitivities in their approaches. Europeans insist on the development of Iraqi sovereignty, the cornerstone of regional security. The restoration of a strong and autonomous Iraqi state is a priority that Europeans can support through official development assistance and the provision of state-building expertise. The «security sector reforms», i.e. the disarmament of the militias and their integration into the Iraqi national army, is a priority. However, Iranian interference in Iraqi politics is preventing this process from being brought to a swift conclusion. Finally, Europeans are attentive to the economic opportunities of opening up the Iranian market, which represents more than 80 million consumers.

On the American side, satisfying the security concerns of the State of Israel remains an inescapable pillar. Moreover, there is an anti-Iranian ideological consensus within the present governance, which founds Washington to combat any Iranian prospect for regional influence openly. In contrast, this same influence is recognised and favoured among the historical allies of the United States in the region (Saudi Arabia, Israel). This posture is sufficiently structuring in the eyes of Washington that it justifies direct violations of Iraqi sovereignty, as we saw with the assassination of General Soleimani in Baghdad last January. In the same perspective, the White House has not hesitated to use the humanitarian crisis caused by the Covid-19 pandemic in Iran to increase the «maximum pressure» on Tehran, making it particularly challenging to deliver essential humanitarian goods (medicines, masks) via the lever of extraterritorial sanctions.⁶

Finally, the identification of Tehran's priorities is a less obvious exercise, because they are not the same for the so-called «reformists» and the «conservatives». The two groups certainly agree on the priority objective of the survival of the Islamic Republic. The «reformists», however, consider that this will necessarily involve economic reforms and opening up to international trade, which is a *sine qua non* condition for the massive economic development demanded by the population. The path of capitalist

6. The extraterritorial sanctions re-introduced by the United States after its withdrawal from the JCPOA do not theoretically exclude trade with Iran for specific categories of products (food, humanitarian and health goods). However, the Treasury Department, which is in charge of implementing the sanctions, is ambiguous about the possibility for international banks to carry out financial transactions for this type of products. Such ambiguity discourages banks in practice from engaging in this type of transaction.

China is undoubtedly a model for them. The «conservatives», for their part, consider that the Islamic Republic cannot survive by opening itself up to globalisation in this way; it would risk losing its own identity by dissolving into an economic system structurally dominated by the United States. Only an internal dictatorship, accompanied by a capacity for external deterrence, will enable the regime to survive. The North Korean model seems particularly attractive to this political camp. Moreover, Pyongyang's policy is regularly cited by conservative personalities as an example to follow in the nuclear field after the end of the JCPOA.

Beyond this fundamental divergence, other objectives are more consensual in the Iranian political arena. Iran must firmly and openly assert its role as a regional power, just like Turkey or Saudi Arabia, particularly towards countries with Shiite components. While Tehran already has an inescapable base in Syria, Iraq and Lebanon, this is mainly in the form of unofficial levers of influence and does not enjoy any form of international recognition. The integration of the Islamic Republic into the concert of nations, where Iran would be the voice of a respected counter-model, is thus an assumed objective of the regime. To achieve this, Tehran must regain diplomatic respectability, of which Europeans could be the most effective guarantors.

From this quick overview of the strategic priorities at hand, a simple observation emerges. Due to a political and economic marginalisation for which it is partly responsible, the Islamic Republic has not been able to develop as a conventional regional power, despite its obvious economic, demographic and geostrategic assets. Faced with this situation, the regime has managed to develop unusual capacities for military and political influence vis-à-vis its neighbourhood, unilaterally granting itself a regional power of interference that runs counter to the security concerns of the Europeans and the United States.

The challenge facing a new regional security architecture will be, in this context, to achieve a «normalisation» of Iranian regional power that is both :

in line with the objective influence that Iran now holds in the Middle East. Otherwise, the regime will systematically reject any attempt at redefinition that would make it weaker in the region.

balanced thanks to credible guarantees vis-à-vis the other regional powers, without which neither Saudi Arabia, Turkey nor Israel would accept this new architecture;

respectful of international law, which would, on the one hand, partly respond to the security concerns of Europe and the United States regarding nuclear proliferation and terrorism and, on the other hand, would allow Iran to rejoin the international community which is the guarantor of that law.

B. A new architecture based on a threefold

normalisation of Iranian power

What might this negotiated «normalisation» of Iranian power look like in concrete terms? What is at stake is to open up for Tehran the possibility of acquiring conventional prerogatives of military and political power in exchange for a verifiable abandonment of its destabilising activities.

1. A military normalisation

Proposal 1: Make Iran's access to Western weapons technology conditional in exchange for Tehran's abandonment of its military nuclear and ballistic proliferation programmes, without expiry clauses. Establish under UN supervision effective control mechanisms to verify Iran's compliance with the abandonment of its ballistic programme.

On the military level, the normalisation of Iranian power requires above all the abandonment of its military nuclear development programme. This was the primary objective pursued by the JCPOA, which was undermined by the US unilateral withdrawal. The resumption of the purposes and means of the Agreement is therefore essential for the future. It seems unlikely, however, that a new negotiation on this subject can take place within the current framework of the JCPOA, which has now been largely discredited in Iran and effectively emptied of its content. It would, therefore, be within the framework of a broader negotiation, covering Iran's military power as a whole, that an extension of the anti-proliferation provisions of the JCPOA could be negotiated. This was already the idea defended by the French diplomacy in 2018, aimed at «extending» the current Agreement to new areas when it comes to its ending date.

The second military standardisation issue relates to Tehran's ballistic missile development programs. The adoption of such programmes was the solution found by the Islamic Republic to compensate for its strategic isolation. Today, Iran has no defence agreements with other militarily powerful states and has no legal access to the international arms market due to UN and national embargoes. The country is therefore deprived, as things stand, of the advanced technologies developed in the West & Russia and has to rely either on ageing armaments or on costly and less efficient local production.

The end of the current UN embargo on the sale of arms to the Islamic Republic, provided for by UNSC Resolution 1929 and then by the JCPOA, is set for 18 October 2020 (5 years after the entry into force of the Agreement).⁷ It is highly likely that Russia and China will oppose any exten-

7. The embargo on the sale of arms from the European Union to Iran will end in October 2023, as provided for in Annex 5, paragraph 20.1 of the JCPOA.

Iran Exports 2003-2017 (millions of dollars)

10

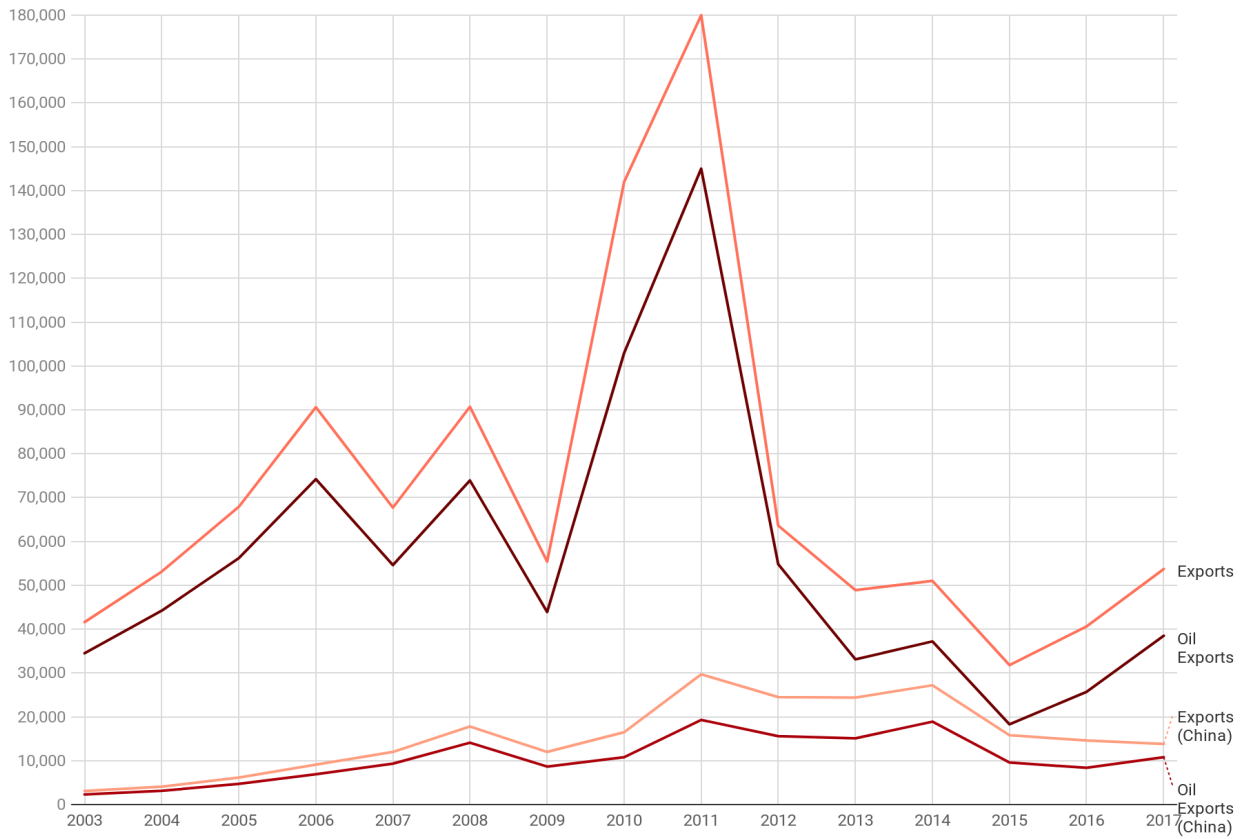


Chart: Groupe d'études géopolitiques Pierre Ramond • Source: UN Comtrade

sion of this embargo in the Security Council. The United States and the EU will, of course, be free to vote at their level on embargoes that will constrain their industries. Washington could also put pressure on Beijing to prevent the sale of arms to Tehran as part of the US-China trade negotiations. It is hard to see how Moscow, on the other hand, would refrain from selling weapons to its Iranian ally after the end of the UN embargo.

In this context, it is not in the interest of Europeans and the United States to let Iran rearm freely with Russia, when they could instead condition Iran's access to the wide range of their weapons technologies (fighter aircraft, helicopters, satellite launchers, tanks, frigates, submarines) in exchange for Tehran's abandonment of its military nuclear and ballistic proliferation programmes, this time without expiry clauses. This abandonment should, of course, be subject to a verification regime. A first possibility, to this end, would be to delegate control to a UN agency (such as the Office for Disarmament Affairs), following a model comparable to that established by the JCPOA in the nuclear field with the IAEA. A second possibility, inspired by the European security agreements inherited from the end of the Cold War, would be to set up a free regime of air traffic control over infrastructure, open to other states in the region (cf. the Treaty on Open Skies in Europe).

Such a military normalisation would render ineffective the central argument of Iranian diplomacy, which consists in recalling the alleged strategic isolation in which the Islamic Republic finds itself, and which would in its view justify the development of a ballistic programme. Refusing a plan to normalise its military power would mean for Tehran, in this context, recognising that the asymmetrical vectors of deterrence developed over the past 20 years are less the result of a legitimate desire for security adjustment to a particular context than that of a much less acceptable struggle for military domination.

2. Diplomatic normalisation

Proposal 2: give Iran guarantees of return to the international financial system, in exchange for ratification of the Palermo Convention, FATF recommendations and open dialogue with Tel Aviv

On the diplomatic level, the establishment of a new security architecture requires adjustments on the part of Iran, which is a sine qua non of Tehran's neighbours' ability to accept a normalisation of Iranian influence in the region. The removal of two particularly blocking points in Iran's diplomatic positions could open the door to this normalisation.

Firstly, the adoption and implementation by Tehran of international law on combating money laundering and

the financing of terrorism (Palermo Convention of 2000, FATF recommendations) would be a very positive signal that Iran is abandoning its financial support to terrorist groups.⁸ Such an adoption now seems within reach, because the counter-legislative powers (Council of Guardians) stemming from the Guidance were the only obstacle to the approval of the Financial Action Task Force rules by the Majles.

Secondly, the opening of a diplomatic dialogue between Tehran and Tel Aviv would be a decisive step forward, marking a form of implicit recognition of the State of Israel by the Islamic Republic. For Tehran, this would be a purely ideological concession that wouldn't undermine the regime's credibility on the diplomatic and domestic level. Unlike the Arab states of the region, Iran has never been at war with Israel, and Iran's anti-Zionism is a strictly ideological and recent construction of the Islamic Republic. Anti-Zionism is not a useful propaganda tool for an Iranian population mostly indifferent to the existence of the Jewish state, as shown, for example, by the refusal of many Iranians to trample on the Israeli flags painted on the ground by the regime in several universities.

Symbolic acts could accompany these fundamental adjustments, such as the closure of the anti-American museum in the former US Embassy in Tehran, or the halting of the production of American and Israeli flags «to be burned» during demonstrations.

In exchange for these openings, Tehran would quickly gain economic and diplomatic standing. The adoption of the Palermo Convention and the FATF recommendations would allow Iran to be removed from the FATF's blacklist of «high-risk jurisdictions» (which Iran occupies alone with North Korea), a first and indispensable step towards reopening financial channels between Iranian banks and the rest of the world.⁹ Coupled with military normalisation and dialogue with Tel Aviv as described above, the normalisation of transparency rules in the Iranian financial system would be a central element of the American argument against Iran. Such progress should thus push the United States, under diplomatic pressure, to end its unilateral financial sanctions for the financing of terrorism. This would, in turn, lead to clear economic progress for Iran.

3. Geopolitical normalisation

Proposal 3: Promote the controlled institutionalisation of Iranian influence in Iraq and complete the reform of the country's

8. The Islamic Republic has been a signatory to the Palermo Convention since 12 December 2000 but has never ratified it.

9. Given the mode of governance of the FATF, the United States alone could not go against the recommendations of the FATF's independent experts carrying out the peer review in favour of Iran's removal from the blacklist.

independent security services.

Finally, on the geopolitical level, the normalisation of Iranian regional policy seems out of reach in the short term in Syria. In this country, Tehran has acquired a geopolitical advantage that is difficult to negotiate. Europeans should thus focus initially on Iraq, a priority for them, where real progress seems more likely in the foreseeable future.

Europe's main concern about Iranian influence in Iraq is the interference of the Revolutionary Guard in Baghdad and their use of Shia militias as political tools, which is hampering the reconstruction of a capable national army. In exchange for guarantees of greater independence of Iraqi political-military governance, Baghdad could commit itself to sign a security and defence agreement with Tehran at the end of a transition period. Particularly committed to the reform of the security services in Iraq, the EU's services in Baghdad could be strengthened and given an official role by Tehran and Baghdad as the guarantor of this transition towards the «normalisation» of Iraqi-Iranian security relations.

In addition to that, the normalisation of Iranian influence in Baghdad will necessarily involve negotiations with the main regional players, and especially Saudi Arabia. Tehran encouragingly proposed to launch with the Gulf Cooperation Council (GCC) states a new security architecture in the Straits of Hormuz, entitled HOPE. Without openly accepting this proposal, Riyadh did not refuse it, a sign that a diplomatic opening is possible.

Capitalising on such a dynamic, the Europeans could propose to the Saudi Kingdom and the Islamic Republic to broaden the spectrum of their future discussions not only to the Persian Gulf but also to Iraq, in order to increase the transparency of power games in Baghdad. As significant donors of development aid to Iraq, Europeans could legitimately participate in the discussions between Saudi Arabia and Iran on this matter. They could play the role of mediators, guaranteeing the essential preservation of Iraqi sovereignty.

Proposal 4: to establish a «crisis prevention and management mechanism» to promote dialogue and de-escalation in the event of new regional tensions.

Such openings are of course only conceivable in the medium term, as is the case with most of the proposals put forward in this note. The possibility of a normalisation of Iranian regional policy will mainly depend on the level of trust between the main protagonists, and therefore on the absence of new crises giving rise to short-term escalations. The Russian International Affairs Council (RIAC) and the Montaigne Institute consider using the opening of a dialogue between Tehran and Riyadh to implement a

«crisis prevention and management mechanism», which would be particularly necessary at a time when volatility seems to be at its height in the Persian Gulf and Iraq. This type of proposal should be of primary importance in the order of diplomatic priorities. It should not, however, prevent diplomats from thinking about a medium-term strategy, which will be indispensable for navigating the particularly important deadlines to come.

III. The timetable

A new security architecture, based on the threefold normalisation of Iranian power proposed above, can only be promoted through diplomatic adjustments on the part of the various actors. These could result, on the one hand, from foreseeable deadlines (American and Iranian presidential elections, dispute settlement mechanism of the JCPOA, end of the UN arms embargo), and on the other hand, from largely unforeseeable events, such as possible protests in Iran. The remainder of this note provides an analysis of the issues relating to each of these main deadlines.

A. US Presidential Elections

The first political variable will come from the 2020 US presidential elections, which will almost certainly oppose Joe Biden and Donald Trump.

Joe Biden has always criticised the withdrawal from the JCPOA on 8 May 2018, which he believes was a turning away from the United States' European allies, as well as the leading cause for the most recent tensions with Iran. However, he explained in July 2019 that if Iran wished to return to the JCPOA, it would be necessary to « extend and strengthen it in order to contain more effectively Iran's destabilising activities »¹⁰. The position of the Democratic candidate, although not very detailed for the moment, seems compatible with that of France, since Emmanuel Macron has proposed as early as 2018 to include the JCPOA in a broader framework of negotiations on Iran's disruptive activities. The conditions could be met, in the event of a Biden's victory that would terminate the policy of «maximum pressure» and could even lead to a return of the United States to the negotiations with Iran.

In that case, the question of lifting part of the American sanctions against the Islamic Republic would be decisive. It was already on the Islamic Republic that the French mediation attempt orchestrated by Emmanuel Macron between Donald Trump and Hassan Rohani on the sidelines of the UNGA in September 2019 had stumbled.¹¹

10. CNS News, "[Biden Concedes Iran Nuclear Deal Could be Stronger](#)", July 12, 2019.

11. Despite encouraging signals of a potential meeting between the two heads of state under French mediation, the Iranian President, under domestic pressure, had to withdraw at the last moment, arguing in particular that no meeting was possible until the United States had first lifted all sanctions.

It seems to imagine that Joe Biden could unravel all the unilateral sanctions put in place by the Trump administration against Iranian entities and individuals. In a sequence of high tensions, a future Democratic President would indeed find it difficult to justify lifting sanctions, which would appear to be concessions made to an authoritarian state. On the other hand, the hypothetical future democratic administration could reverse the horizontal sanctions which hit the Iranian economy the hardest, notably the bans on importing Iranian oil. A first step could consist, to this end, of reintroducing exemptions to these sanctions for the benefit of the main importers of Iranian crude oil (China, India, Japan, Turkey, European states) as soon as the future Democratic President comes to power. Such a measure would have the merit of rapidly relieving the Iranian economy, while at the same time being a pledge of goodwill for the negotiations to follow.

If Donald Trump wins the election, it is unlikely that the conservative Iranian governance (Guide, Guardians) would agree to return to the negotiating table without important counterparts, and the White House seems less than ever likely to accept that after the episodes of tensions of the past few months. Two scenarios could then be envisaged. Either the Trump administration continues on its momentum and brings to a conclusion the US military withdrawal from the Middle East that has already begun (notably in Syria and Iraq). This scenario would reduce the political weight of the United States in the region and would accentuate the diplomatic isolation in which Washington finds itself today with its policy of «maximum pressure». The search for a new security architecture in the region would therefore be played out without the United States, while see existing channels for circumventing the extraterritorial sanctions imposed by Washington (INSTEX, Swiss channel) would become more and more effective. In the opposite hypothesis that Donald Trump would choose the policy to which his neoconservative advisers are inviting him and decide to maintain a strong military presence in Iraq to deal with Iran, the diplomatic priority of the Europeans would necessarily have to be more limited. The priority would be to avoid new escalations leading to direct conflict. To do this, Europeans should prioritise establishing effective channels of de-escalation between Tehran and Washington.

B. Timetable for the Dispute Settlement Mechanism of the JCPOA

Another timetable to be taken into account is the Dispute Settlement Mechanism (DSM) of the JCPOA, over which the Europeans are currently in control and that they could use to compensate for the lack of predictability of the US electoral calendar.

On 14 January, the E3 ministers asked for the DSM to be activated. It provides for a joint commission composed

of the parties to the Agreement (i.e. without the US) to examine the complaint lodged by one of them.¹² If this framework doesn't succeed in resolving the dispute, it will transfer it to the United Nations Security Council, which has 30 days to vote for the continued lifting of sanctions or the reapplication of all multilateral sanctions.

The members of the Joint Commission have so far decided to postpone the first stage of consultation, which was supposed to last 15 days unless there is consensus to extend it. The timing of the DSM thus depends on the will of the negotiators, and one could imagine its indefinite extension. Insofar as the complaining parties are the E3, this is an additional means for exerting pressure on Iran, since the Europeans can now, within a relatively short period, provoke either the end of the DSM (by considering that their complaints are no longer relevant) or the end of the JCPOA (by triggering a vote at the UNSC).

The E3 could, for example, use this argument to dissuade the Islamic Republic from withdrawing from the Non-Proliferation Treaty (NPT) and resuming military nuclear activities. This pressure tactic would be particularly useful to contain the proliferation risks in Iran in the run-up to the US presidential elections. In the event of Trump's re-election and the impossibility of opening a dialogue between Tehran and Washington, the DSM could also be a valuable forum for the E3, Russia and China to negotiate a future security architecture around Iran without the United States.

This is the strategy that the Europeans seem to have adopted in recent weeks. Indeed, even though the Iranian government has denounced the activation of the DSM, it is still taking part in the meetings of the JCPOA Monitoring Committee, the fifteenth of which, held on 26 February in Brussels, went very well, according to Iranian Deputy Foreign Minister Abbas Arraqchi. The DSM thus encourages Iranians to maintain a constructive dialogue with the P5+1 in the framework of the JCPOA.

C. Internal disputes in Iran

The last crucial temporality is the possible emergence of new challenges to the regime of the Islamic Republic within Iran itself.

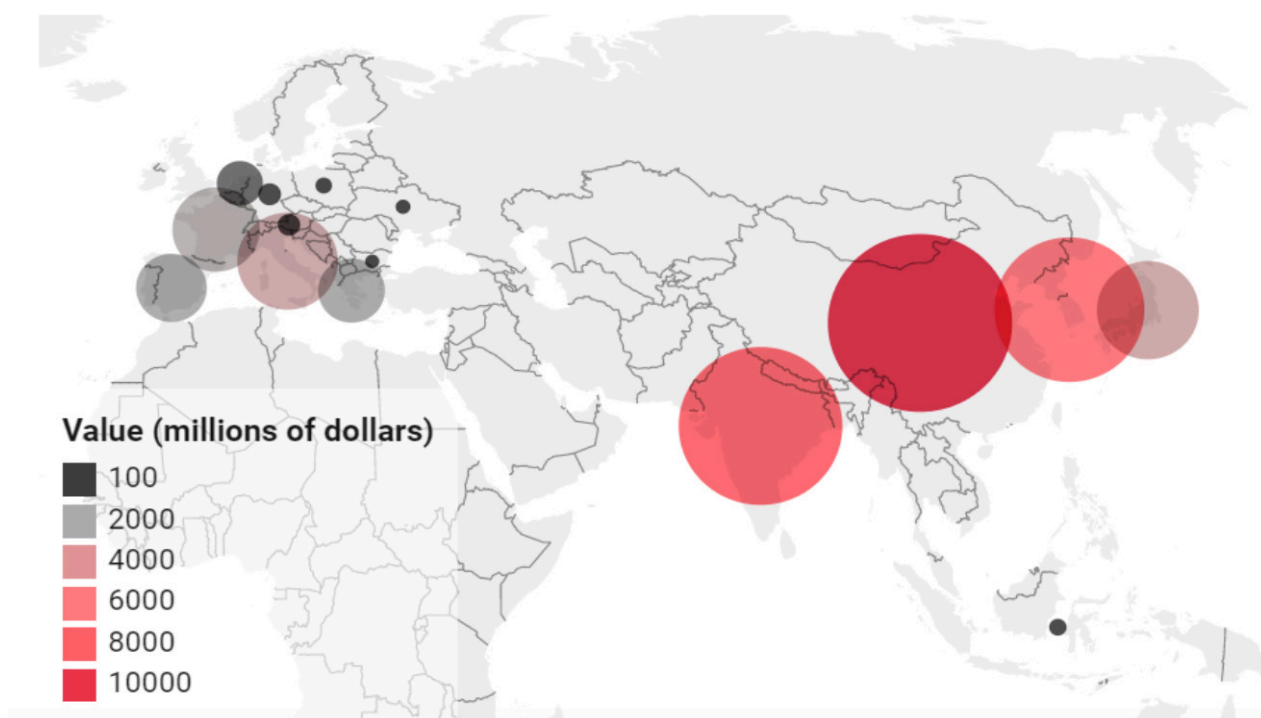
The parliamentary elections of 21 February 2020 revealed the ascendancy of the «conservatives» over the «reformists» within the regime, the Guardian Council (equivalent to a Constitutional Council) having validated only a negligible number of candidatures of outgoing moderate deputies.¹³ In such circumstances, the current moderates

12. In the present case, the complaint of the E3, represented by the High Representative for Foreign Affairs and Security Policy, concerns the Islamic Republic's failure to comply with its non-proliferation commitments under the JCPOA.

13. The participation rate, officially 45%, is the lowest in the history of the Islamic

Iranian oil exports (2017)

14



(Ali Larijani, Hassan Rouhani) and supporters of openness (Javad Zarif for example) will likely be marginalised from the public political arena after the 2021 presidential elections, in the manner of Hashemi Rafsanjani or Mohammad Khatami before them.

Faced with the combination of an authoritarian takeover of the regime by the Conservatives, growing dissatisfaction with economic conditions, and the disappearance of a credible political opposition to represent Iranian reformists within the administration, many Iranians have to choose between remaining silent, leaving the country if possible, or demonstrating in the streets. As observed in November 2019 and again in January 2020, the latter option remains a possibility, despite the fear of repression, as the conservatives' authoritarian grip on new sectors of political and economic life is frowned upon by a vast majority of Iranians.¹⁴ The presentation of an unpopular conservative candidate in the upcoming presidential elections of May-June 2021¹⁵ could also provoke significant protests. Such internal political instability could, in turn, lead to a further authoritarian strengthening of the regime or, on the contrary, weaken it further. In the latter case, even the most conservative leaders of the Islamic Republic would be under pressure to accept new international negotiations to safeguard the regime of the Islamic Republic.

Finally, the Iranian government's handling of the coronavirus crisis, which is raging particularly violently in Iran, is a matter of great dissatisfaction among a large part of the population.¹⁶ Many Iranians accuse the regime of having silenced early warnings of the spread of the virus (particularly in the city of Qom, the heart of the epidemic) in order not to endanger the parliamentary elections on 21 February, thus contributing to the spread of the virus. The regime then appeared particularly incapable of managing this crisis, which affected even the highest state authorities, such as the famous deputy minister for family affairs Masoumeh Ebtekar, or the Guide's close adviser on international relations, Ali Akbar Velayati. It was only after a few weeks that the regime's ideological response took shape, insisting on the alleged American origin of this virus and on Washington's responsibility for aggravating the crisis because of the blockade imposed by the United States on any transfer of essential medical products to Iran.¹⁷ Particularly lethal in Iran, this crisis is thus likely

to strengthen the will of part of the population to get rid of the current leaders, which are considered incompetent and dishonest.

These possible domestic disputes, if not foreseeable, seem inevitable and will have to be taken into account in the calculation of the balance of power in favour of negotiations. In the previous diplomatic talks leading up to the JCPOA, the Islamic Republic was able to abandon its military nuclear programme, which was of concern to the international community. Today, it can no longer drop this nuclear program against concessions from the other parties to the JCPOA. A new episode of internal strife would place Iran in a much weaker position than at the end of Ahmadinejad's second term.

D. When to act?

In short, Europeans should redefine their Iranian policy now, while using the DSM timetable of the JCPOA to deter Iranians from completely exiting from it by the end of 2020. The idea of such an architecture could then be taken up by the Democratic candidates for the American presidential election (who do not seem to have a well-defined strategy for the moment), or even by Donald Trump, who might be seduced by the idea of making a more comprehensive agreement than his predecessor. At the same time, the rapprochement of the regional players (especially the Gulf countries) vis-à-vis Iran could ease the existential fear of an invasion of Iranian territory.

Under these conditions, a policy of openness and vigorous incentives on the part of the European countries could push the Iranian regime, out of pragmatism, to accept the proposed normalisation plan, even though the government institutions would all be in the hands of the most conservative by the summer of 2021.

IV. Mediators

The strategy of European countries will not only have to adapt to the windows of opportunity opened up according to the timetable described above, but also to deal with other mediators, especially if the US administration maintains its current Iranian policy. We are now looking at states that could promote the normalisation of Iranian power and, through it, a new regional security architecture. These are not, of course, mutually exclusive, but can, on the contrary, provide complementary diplomatic incentives.

Russia seemed to benefit directly from the rise in tensions in January 2020, as shown by Angela Merkel's visit to Moscow on Saturday 11 January to discuss ways of preserving the JCPOA. Russian diplomats flattered themselves that the German Chancellor prefers to address the crisis in Moscow rather than in Washington, which in their view proves how Russia is a reasonable power with whom it

Republic. Many observers agree that the official figure is far beyond the reality of participation.

14. For example, the Guardians have recently discredited themselves by mistakenly shooting down a Ukrainian airliner carrying many Iranians living in Canada.

15. The exact date has not been set already.

16. In Iran, there are nearly 58,000 confirmed cases as of April 5th 2020, according to official figures, probably underestimated due to the low number of tests carried out.

17. Iran has made an exceptional appeal to the IMF for emergency financial assistance in the face of the COVID-19 crisis. The United States, however, has the largest quota in the IMF's governance system, giving it virtually the power to prevent a positive response from the institution.

is possible to discuss, unlike the Trump administration. Thus, Andrey Kortunov (Director of RIAC) considers that Russia could establish a negotiating platform by involving Iran, neighbouring Arab countries and possibly external powers (Russia, China, India, European Union).¹⁸

Moscow could be interested in the threefold normalisation of Iranian power described above, which would act on the regional influence of its Iranian partner, would constitute a retreat from the policy of sanctions of which Russia is also a victim, and an abandonment of the doctrine of regime change that Russian administrations have always opposed. Russia could also play a role in a possible Iran-Israeli rapprochement since it has good relations with the military apparatus of both countries. However, one should consider Moscow's possible reluctance to accept the idea of arms contracts between European countries and the Islamic Republic, which would reduce Iran's strategic dependence on Russian arms exports, after the international embargo is lifted.

The **People's Republic of China (PRC)** might also be interested in such a plan. Chinese diplomacy is based on the defence of the principle of territorial sovereignty, on the denunciation of various forms of interference (mainly military) and on a discourse of «dialogue of civilisations», of which the narrative of the New Silk Roads is the best-known example. In this framework, the recognition of a security role for Iran and a better integration of Tehran into the international economic system (with the implementation of measures demanded by the FATF in particular) are among the demands of the PRC, which wishes to delegate security questions to the regional powers. The PRC has also seen most of its investments in Iranian infrastructures jeopardised by Iran's exclusion from the international banking system. The PRC, which has on the whole respected American sanctions (and the precautionary measures of the FATF) would benefit from Iran being able to export oil again and to make orders to Chinese national companies in a certain number of areas (construction of railways, ports, public transport, power plants). Finally, the PRC is opposed to nuclear proliferation and fears the rise of tensions in the Middle East on which it depends for its hydrocarbon imports.

The PRC could take part in this normalisation at two levels. On the one hand, it could play an observer role in the new crisis prevention and management mechanism in the Persian Gulf. On the other hand, it could be an essential guarantor, because of its economic weight and the promise of positive spin-offs for the Iranian economy, of new and broader negotiations, after the end of the JCPOA, including the regional issues described above.

Finally, two other regional players could be associated with innovative diplomatic formats. The first is **Pakistan**, which attempted to mediate between the two sides after the assassination of General Soleimani.¹⁹ Indeed, Pakistan has everything to lose from a rise in tensions: the risk of a new conflict in Afghanistan, the potential arrival of refugees in Pakistani Baluchistan, intra-Pakistani interfaith tensions between Shiites and Sunnis. Pakistan's security apparatus is also one of the few to have good relations with both Washington and Tehran. Assuming that the architecture proposed here has already convinced several actors, it would be interesting to create a Pakistan-Iran-EU-US format to ease tensions in Afghanistan and help create a more favourable climate for negotiations.

India was also one of Iran's main trading partners before the return of US sanctions, and a crucial importer of Iranian oil. Delhi would, therefore, have everything to gain by sponsoring a diplomatic process leading to a reopening of the Iranian economy. India could also benefit strategically, as Iran is one of its principal maritime allies in the face of China's Pearl Necklace strategy.

The proposal for a global agreement proposing a normalisation of Iranian power would gain in credibility if India added its voice to that of China (for example within the Shanghai Cooperation Organisation, of which Delhi has been a full member for three years, as has Pakistan). This would involve, for example, an Indian guarantee of investment in the Iranian economy in the event of a diplomatic agreement, particularly in the hydrocarbon import sector. A promise of continued investment in the port of Chabahar, currently at a standstill, could also be an incentive. This situation would be all the more conceivable if relations between the Gulf countries (which supply Indian oil) and Iran improve. One could thus imagine involving India in the P5+1 format (minus the United States). This format would reach a new critical mass, which would further isolate the United States if Washington continues to refuse real negotiations. Within the E3 format, the United Kingdom could be in charge of coordination work with India, which would also strengthen the cohesion between London, Berlin and Paris on the Iranian dossier, threatened by the diplomatic rapprochement between London and Washington because of Brexit.

In short, the new formats on which the European Union could rely would be :

- The DSM of the JCPOA (China, Russia, E3, EU, Iran),
- A format where India would «replace» the United States in the P5+1,

18. Andrey Kortunov, "Soleimani's Assassination is more than a Crime", January 7th 2020, Russian International Affairs Council.

19. Prime Minister Imran Khan sent Pakistani Chief of Staff Qamar Bajwa to Iran to meet with the Iranian military and offer Pakistani mediation. At the same time, Mahmood Qureshi travelled within a week to the United States, Saudi Arabia and Iran to also offer Pakistani mediation.

- An Astana format enlarged to include the EU for the easing of tensions in Iraq and Syria,
- A Pakistan, US, EU, Iran format in the event of a diplomatic opening in Washington,
- A regional format composed of the Gulf countries and Iran in which the EU would play a purely coordinating role.

All these formats would involve, to ensure that the European position is as secure as possible :

to maintain the E3 despite Brexit,

to use the different scales and dimensions of European diplomacy to defend this architecture to the largest possible number of state actors (China, Russia, India),

to involve European national diplomacies more closely in the formulation of the EU position (in particular Italy, which has been an important partner of Iran, and Poland, whose proximity to the United States should not be detrimental to the coherence of the European position).

Conclusion

The proposals put forward in this note do not constitute a turnkey plan that should be implemented immediately, but a series of perspectives for reflection on a new Iranian policy for Europe.

This new architecture, based on the idea of a threefold normalisation of Iranian power, takes into account elements that currently block all forms of negotiations and progress, as well as several realities that politicians may

refuse to see, but that negotiators must consider. Israel will remain a regional power for decades to come, and the Arab states are gradually accepting this reality. Iran will remain influential in Syria and Iraq in the medium term. Iran is one of the only countries in the world to be excluded from economic globalisation because of its radical opposition to the United States, and no other nation wishes to accompany it in this splendid isolation. There is a consensus within the US Administration on the need to withdraw troops from the Middle East.

We believe that the various European diplomats should once again take up the Iranian dossier, as crucial deadlines approach, and reflect on the few proposals put forward here. Some of them may seem utopian, but it seems essential, in the face of the current impasse, that European diplomacy should once again demonstrate its creativity. ◀