

Iran's decision to withdraw partially from the nuclear deal is fraught with risk, and could play into U.S. plans.

Iranian President Hassan Rouhani announced on Wednesday that Iran will withdraw partially from the landmark nuclear deal of 2015. Iran's decision to reduce its commitments to the Joint Comprehensive Plan of Action (JCPOA), known as the P5+1 agreement, comes as a reaction to the U.S.'s attempts in recent weeks to reduce Iran's oil exports to zero. As a response to U.S. sanctions, Iran is demanding that the remaining signatories of the deal — the U.K., China, France, Germany and Russia — ease the restrictions on its banking and oil sectors in the next 60 days. In case the five endorsers of the deal decide not to act in favour of Iran, the authorities of Tehran will remove the caps on uranium enrichment levels and resume work on the Arak nuclear facility.

Loss of patience

Iran's plans are very clear, and they put an end to long and laborious multilateral negotiations which put strict limits on Iran's nuclear activities in return for lifting most international sanctions. Undoubtedly, Iran's decision comes as an expression of loss of patience with a deal that is providing very few of the promised economic benefits. But by resuming its uranium enrichment operations, Iran could be taking a huge risk, putting at danger its diplomatic relations with Europe and playing the game of the Trump administration that has been taking a hard line against Tehran.

Consequently, Iran might be economically isolated, but the message coming out from Russia is that Iran is not alone. The Kremlin has joined Tehran to accuse the U.S. of retreating from the nuclear deal, while approving Iran's rolling back of some of the terms of the deal due to pressure from the U.S. Of course, the Russian gesture is not without some long-term interests for the Kremlin. U.S. sanctions against Iran will certainly result in the development of cooperation between Moscow and Tehran, but also with countries like Turkey which are important to American foreign policy.

This said, the goal of the Trump administration in applying the new series of sanctions is likely to hit the earnings of Iran's major metals companies, such as Mobarakeh Steel and the National Iranian Copper Industries Company. This will have an immediate impact on the Iranian government's revenues, but it will also deteriorate the balance sheets of Iran's heavily indebted metals and mining companies. No doubt, this situation will be fol-

lowed by mass unemployment, especially among blue-collar workers employed by state-owned enterprises who form the backbone of Iran's economy.

Stoking unrest

It is no secret that last year the 2.5-million-strong government workforce did not get a raise while prices accelerated. To this end, the Trump administration's "maximum pressure" policy on Iran aims directly to stoke social unrest in Iranian cities by creating labour strikes (in the Polish style of Solidarity back in the 1980s) within the metals industry. For Donald Trump and his aides, the outcome of their confrontation with Iran is clearly to deprive the Iranian regime of the funds it can use to impose its hegemony around West Asia, but also to put pressure on the everyday life of Iranian citizens. From the Trump administration's perspective, the economic malaise in Iran should stoke protests sooner or later. But does this mean the beginning of the end of the regime of the Ayatollahs?

Things are more complex than they might appear. If we take a close look at the geostrategic situation of West Asia, Iran's threat to violate the JCPOA is a very worrisome decision. Let us not forget that from Iran's perspective, Mr. Trump's America is considered a rogue state. As for the Trump administration, it considers the Islamic regime in Tehran as its Enemy Number One in West Asia. The recent announcement by John Bolton, Mr. Trump's National Security Adviser, that the U.S. was dispatching an aircraft-carrier strike group and bombers to West Asia to protect American allies and their interests is an unmistakable attempt to intimidate the Iranian regime. Over the past few weeks, the White House has intensified its campaign of pressure and threats against the authorities in Tehran and the Iranian Revolutionary Guard Corps (IRGC). In Washington's eyes, Iran is a rogue state because of its support of militant groups, its violations of human rights, and its pursuit of nuclear-related technologies.

But despite the sanctions, Iran continues to fund its proxies in the region, prepare missile tests and support the Syrian regime of Bashar al-Assad. Thus, at the point where things stand, it is very hard to imagine a turn towards negotiations, although some European countries might continue encouraging a return to diplomatic management of the Iranian crisis. There is little likelihood of any flexibility towards the Iranian regime from the American side till the November 2020 U.S. presidential election. Iran will certainly look for ways to inflict a cost on the U.S. directly or through militia proxies in the region. In that case, the scene will be set for military confrontation between Iran and the U.S.

Last but not the least, if Iran's leadership is to successfully resist U.S. "maximum pressure", it must do more than choose the military path. Those who oppose any unilateral U.S. military action against Iran can only hope that the Ayatollahs and the IRGC will not react violently to U.S. forces in the region and to its allies. In case that happens, troubled times are ahead for Iran, West Asia and the global market.

US-Iran dispute

Why in the discussion?

- Iran has announced that it is partially withdrawing from its agreement to curb its nuclear program.
- President Hassan Rouhani said that if a new agreement was not agreed within 60 days, then Iran would start more enrichment of uranium.
- This step has been taken while growing international tensions.

Main point

- It has been a year since the announcement of America's withdrawal from the 2015 agreement. Iran had signed an agreement with five other countries.
- Observers say that if the agreement is made powerless then it will be difficult to maintain it.
- Earlier, US Secretary of State Michael R. Pompeo had announced that the Trump Administration is ending all exemptions given to eight countries including Greece, Italy, India, Japan, China, Turkey and South Korea so that they could be distanced from Iranian oil. to zero the Iranian oil exports.
- However, when the Trump administration re-enacted sanctions on Tehran in November, then the US had given temporary permission to these countries to import Iranian oil.

The effect of the US ban

- The main source of Iran's revenue is the oil export which will be in crisis due to restrictions.
- In 2018 Iran's share in global oil production was 4%. There is likely to be an impact on global oil supply chains after Iran's sanctions.
- There may be significant increase in oil prices due to interruption in supply.
- The world's three largest energy producers, America, Saudi Arabia and the United Arab Emirates have said they will ensure adequate supply in the global oil market.
- The United States has said that it will put financial strain on any institution or company that violates oil restrictions, in which include the prohibition on the use of Swift Banking International Transaction

System, the seizure of any American assets and transactions in dollars.

Impact on India

- Oil supply for refineries: This decision of US is likely to have a great impact on India.
- The US has recently banned another top supplier of Venezuela. In these circumstances, the recent decision of the US can create problems for India.
- An increase in the import bill will put pressure on the rupee. Increase in crude oil prices will increase inflation.

Joint comprehensive Plan of Action '(JCPOA) or' Vienna Agreement '

- In 2015, an agreement was reached between Iran and P5 + 1 countries (America, China, Britain, France, Russia and Germany) to track Iran's nuclear program.
- According to the agreement, Iran agreed to regularly check its nuclear plants so that it can be ensured that there is no work to build nuclear weapons.
- This includes reducing Iran's refined uranium reserves by 96 percent and opening all its plants to international observers.
- The purpose of this agreement was to stop nuclear programs. In exchange for these conditions, the western countries had agreed to remove the economic sanctions imposed on Iran.
- According to this agreement, Iran had accepted the condition of reducing its nearly nine tonnes of underrefined uranium reserves to 300 kg.

Indo-Iranian relations

- The annual bilateral trade between the two countries is about \$ 2 billion.
- Where Iran fulfills a large part of India's energy needs, then India exports medicine, heavy machinery, parts and grains to Iran.
- Both countries are strategically old-fashioned ally of each other. Both countries have shared strategic interests in Afghanistan, Central Asia and the Middle East.
- In addition to the embassy in Tehran, Iran's capital, there are commerce missions of India in the region

of Jaideep and Bandar Abbas.

- Indian companies see big business opportunities in Iran. Indian companies are putting money in Iran's oil refinery, pharmaceutical fertilizer and manufacturing sector.
- Apart from consumer goods, India can also collaborate with Iran in the fields of machinery, auto and mining.
- Through Iran, India will be able to easily enter Central Asia, Tajikistan, Uzbekistan,

Kazakhstan, Kyrgyzstan, Turkmenistan, Russia and Afghanistan.

- Chabahar port has also been developed in collaboration with India. Along with this, India has found an alternative route to send its products to Afghanistan and Central Asia.

Expected Questions (Prelims Exams)

1. Consider the following statements:-

1. The historic nuclear treaty between Iran and P5+1 countries was done to monitor Iran's nuclear programmes.
2. Nuclear Proliferation Treaty came into effect in 1968.

Which of the above statements is/are correct?

- (a) Only 1
- (b) Only 2
- (c) 1 and 2
- (d) Neither 1 nor 2

2. Which of the following is incorrect about the Joint Comprehensive Plan of Action (JCPOA) ?

- (a) This scheme is also known as Vienna Agreement.
- (b) This included the reduction of Iran's refined uranium reserve by 80% and to open all its plants to international observers.
- (c) This scheme came into existence in 2015.
- (d) According to this agreement, Iran had accepted the condition of reducing its nearly 9 tonnes of under refined uranium reserve to 300kg.

Expected Questions (Mains Exams)

- Q. In last few years West Asia is going through bad phase of tension. Due to the Iran's decision to separate itself from the historic treaty of 2015, the possibility of this tension taking more severe form has increased. Comment. (250 Words)
- Q. India's diplomatic and economic interests are to be severely affected due to the US-Iran nuclear tension. Discuss. (250 Words)

Note: Answer of Prelims Expected Question given on 10 May. is 1 (d)