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## U.S.–Iran Tensions: Implications for the EU and NATO States

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*Tensions between the U.S. and Iran are rising due to the American government's "maximum pressure" policy and actions by the Islamic Revolutionary Guard Corps (IRGC). After Iran's ultimatum of May 2019 to the other signatories of the nuclear agreement went unheeded, the country suspended compliance with some of the deal's provisions. The steps it took are not likely significant enough to result in U.S. preventive strikes on Iran, but there is the growing likelihood that both sides will continue to act just below the threshold of open conventional conflict. The frequency of tension-increasing events may continue to rise to the end of President Trump's current term, implying a number of challenges to the diplomacy of the EU and NATO states.*

Exactly a year after the U.S. withdrawal from the nuclear agreement (JCPOA), Iran on 8 May set an ultimatum and deadline by which it would suspend some of the deal's provisions if EU states, China, and Russia did not ensure bank transfers and purchases of Iranian oil in light of the U.S. sanctions. After deadline came and went, Iran on 8 July announced it had slightly exceeded the agreed limits on uranium enrichment, both in quantity and percentage. At the same time, there have been more and more incidents in the Persian Gulf.

**U.S. "Maximum Pressure" Policy.** The administration of President Donald Trump has based its policy on the assumption that Iran is a regional rival of the U.S. and a threat to its interests. In May 2018, the U.S. withdrew from the 2015 nuclear agreement that lifted U.S., EU, and UN sanctions in exchange for Iran limiting the capabilities of its nuclear programme. President Trump justified the U.S. withdrawal by saying Iran had violated the spirit of the agreement, whose preamble assumes the nuclear deal will contribute to the stabilisation of the region. This decision resulted in the gradual restoration of the U.S. sanctions on Iran, worsening the latter's economic situation. The U.S. policy is perceived as promoting "regime change" from the Shia theocracy. In spring of 2019, the U.S. administration announced a transition to "maximum pressure" on Iran, including formal recognition of the IRGC as a terrorist organisation and sanctioning the entire entity. Previously, this designation had been applied only to individual commanders or IRGC units responsible for regional strategy or Iran's nuclear and missile programmes. The U.S. followed this with the introduction of sanctions on Iranian oil importers and on companies trading metals with Iran, as well as sanctions on foundations and companies tied to Ali Khamenei, Iran's Supreme Leader.

**U.S.-Iran "Grey Zone" Conflict.** Since the May ultimatum there has been a visible increase in activity of pro-Iranian militant groups, including attacks against Saudi Arabia and U.S. diplomats and companies in Iraq. Within a month's time, six tankers with oil were attacked while passing through the strategic Strait of Hormuz and Gulf of Oman. In all of these cases, the U.S. pointed to the IRGC as responsible for the acts, which, in turn, was always denied by Iran. The situation became even more complicated when on 11 July IRGC military speedboats tried to change the course of a British tanker, which was likely retaliation for the earlier UK seizure of an Iranian tanker in Gibraltar, deemed to be violating the sanctions. But the incident that has been the most serious and potentially far-reaching happened on 20 June when a U.S. Global Hawk

reconnaissance drone was shot down over the Strait of Hormuz. According to the Pentagon, the shutdown happened over international waters. According to Iran, the incident was a case of self-defence, protecting its airspace over territorial waters. The U.S. administration prepared retaliatory airstrikes, which President Trump claimed he cancelled. Instead, the U.S. reportedly conducted a series of cyberattacks on selected IRGC units and deployed to the Gulf additional missile defence units, special operations forces, B-52 bombers, and F-22 fighters.

The growing U.S. pressure on Iran and the series of incidents suggest that the tensions will persist. However, both the U.S. and Iran may prefer to continue their activities in the “grey zone” of intelligence, unconventional, and cyber operations, below the threshold of open conflict, which for now is not in their interests. The lack of bilateral military communication and the possibility of losing control over the situation may risk unintended escalation and a serious crisis. The challenge for the U.S. and its allies now is to ensure the safety and security of tankers in transit, especially if the IRGC is willing to sabotage oil exports from other countries in the Gulf and to deter an increase in the American military presence in the region. On the waters of the Arabian Sea, Persian Gulf, and Aden Gulf are a few combined sea task forces comprised of more than 30 countries. Each task force has a different goal or combination of goals, including counter-terrorism, counter-piracy, smuggling interdiction, de-mining and commercial vessel escort operations. Assuming the IRGC will continue its actions, the U.S. is proposing the consolidation of all these forces and augmenting them with additional ships from NATO and some Asian countries.

**Iranian Nuclear Programme.** On 8 July, the International Atomic Energy Administration confirmed Iran’s declaration that it had, for the first time since 2016, exceeded the JCPOA limits on low-enriched uranium stocks 300 kg enriched to 3.67%. After passing the first deadline of its ultimatum, Iran began to surpass the enrichment limits under the JCPOA, reaching the 4.5% level. At the same time, Iran is stressing that the suspension of its JCPOA obligations is “partial, gradual, and reversible”, depending on the fulfilment of economic obligations by the EU, China, and Russia. Iran is also declaring that further steps may be implemented within 60 days, referring here to the JCPOA provisions that allow the temporary suspension of the deal’s implementation and use of its dispute-resolution mechanism. The credibility of Iran’s threats is based on the possibility it will install a newer generation of centrifuges for faster uranium enrichment to higher levels (weapons-grade enriched uranium is 90% for a nuclear warhead). Moreover, Iran also has declared it might re-open the heavy-water reactor at Arak, which could be used for the production of weapons-grade plutonium, used in nuclear warheads. However, Iran’s capabilities in the latter production are limited by the time necessary to re-install the core and start the reactor.

Iran’s steps present a challenge to the EU, which during a meeting of Member State foreign ministers on 15 July confirmed that it wants to honour its obligations under the JCPOA but will not bow in the face of the Iranian threats. The European signatories of the JCPOA and EU institutions cannot guarantee that private companies may continue transactions with Iran to counter the U.S. sanctions, even after initiating the special purpose mechanism INSTEX. These factors might be of less importance to Chinese companies but they also are considering the possible effects of cooperation with Iran on their interests in the U.S. Russia’s economic capabilities are even more limited because of a lack of funds and the Western sanctions on it because of its aggression against Ukraine. Moreover, further Iranian withdrawal from the JCPOA provisions and limits might result in increasing the concerns of EU countries that Iran wants to renew its nuclear work on the scale seen before 2015. Without Iranian flexibility, there is the possibility of a “snap-back” to the EU sanctions, seen by the Europeans as a better alternative than open conflict in the region.

**What’s Next.** It should be assumed that the level of tension involving Iran will not weaken, even up to the end of Trump’s current term. The reason for this is that any change to the JCPOA would be based on the simultaneous willingness of the U.S. and Iran to compromise, and neither country seems ready for it. The EU’s capabilities are limited—it cannot meet Iran’s economic expectations and might not be able to preserve a coherent policy towards the country. At the same time, EU states should signal to Iran that exceeding the limits of the JCPOA will result in the reintroduction of previous European sanctions and the introduction of new ones. They could also stress that the tactic of waiting out Trump has as much risk, especially if he wins re-election in 2020. In this context, Iran should be encouraged to resume direct talks with the U.S. on any gaps in the JCPOA and on regional issues.

There is also the likelihood of growing U.S. expectations that NATO will increase operations to ensure secure tanker transit in the Gulf. The U.S. will be promoting a “coalition of the willing” to consolidate task forces already operating in the region. NATO and EU states should stand on a position of ensuring security and free vessel traffic in international waters. Naturally, the contributions of NATO members to a new mission in the Gulf region will depend on their individual military capabilities and perception of U.S. strategy as a whole.