

Iran Policy and the European Union

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Policy Context

European Union (EU) officials have expressed concern that the Trump Administration might abandon consensus U.S.-EU policy toward Iran. On February 1, 2017, Trump Administration officials told journalists that the Administration had begun a "[deliberative process](#)" to respond to what officials termed Iran's provocative behavior and "malign" regional activities, including ballistic missile tests and military support of regional armed groups. Administration officials asserted that U.S. responses to Iranian actions would be separate from and not in conflict with U.S. commitments in the multilateral Iran nuclear agreement (Joint Comprehensive Plan of Action, JCPOA). On February 17, 2017, Secretary of State Rex Tillerson denied that there were grounds for his French counterpart to infer that the Administration [intended to cease implementing the JCPOA](#).

In January 2017, EU High Representative Federica Mogherini marked the first anniversary of the JCPOA's implementation with a [statement](#) asserting that the agreement is working, that Iran has delivered on its nuclear related commitments, and that full implementation of the deal remains essential. She further reiterated the view that "The JCPOA is a multilateral endeavor...endorsed by a United Nations Security Council resolution...[that] now belongs to the entire international community." On February 10, 2017, after meeting with Administration officials, Mogherini stated she was "[reassured](#)" about U.S. intentions to implement the agreement.

U.S.-EU Convergence on Iran

The finalization of the JCPOA in July 2015 represented the culmination of a years-long process of coordination between several EU countries and the United States. From the time of the 1979 revolution in Iran that brought its current regime to power until 2012, when the EU adopted sanctions on Iran nearly as strict as those the United States imposed on Iran (including a total embargo on the importation of Iranian crude oil), the United States and European countries often diverged on the issue of Iran. For virtually all of that period, European countries maintained embassies in Iran and normal trade with Iran in civilian goods, and engaged in dialogue with Iranian officials. The United States, for its part, imposed significant "secondary" sanctions on Iran that penalized European and other foreign companies if they

conducted certain transactions with Iran. In 2006, as Iran's nuclear program continued to expand, the United States formally joined an effort by three European countries (UK, France, and Germany—the so-called "EU-3" negotiating group) to attempt to induce Iran, through a mix of sanctions and incentives, to agree to limit the scope of its nuclear program. The EU-3 and the United States, along with the two other permanent members of the United Nations Security Council, Russia and China, formed the "P5+1" group of negotiating states.

Current EU Sanctions Policy Toward Iran

On JCPOA "Implementation Day" (January 16, 2016), the EU suspended its economic and financial sanctions related to Iran's nuclear program (see CRS Report R43333, [Iran Nuclear Agreement](#)). Sanctions relief included lifting the oil embargo, ending prohibitions on financial, banking, and insurance activities, allowing business with Iran's energy and petrochemical sectors, and suspending most restrictions on Iran's shipping and transportation sectors. Many individuals and entities involved in Iran's civilian economic sectors were removed from a visa ban/asset freeze list. Suspended provisions are to terminate formally on "Transition Day" (October 18, 2023). In case of unresolvable ["significant non-performance"](#) of Iran's JCPOA commitments, the EU – in concert with a U.N. Security Council decision - could reimpose all suspended sanctions.

A number of proliferation-related EU sanctions against Iran will remain in force until Transition Day, including an arms embargo and a prohibition on sales of goods related to missile technology. Certain individuals and entities involved in nuclear and ballistic missile activities will remain subject to a visa ban and asset freeze until Transition Day. Requirements for cargo inspections and restrictions on ship supply services will remain in effect for prohibited items indefinitely. Proliferation-sensitive transfers and activities involving specified goods and technology are also subject to an authorization regime indefinitely.

The EU also maintains sanctions against Iran in response to what it deems as [human rights violations](#), comprising targeted visa bans, asset freezes, and a ban on exporting equipment that could be used for internal repression. Iranians designated under sanctions regimes covering [terrorism](#) and [Syria](#) also continue to be listed.

As evidenced by a stream of European ministers and businesspeople visiting Tehran over the past year, European businesses have sought to reengage Iran following the JCPOA's implementation. [EU trade with Iran](#) nearly doubled in 2016, and oil imports from Iran quickly returned to near pre-embargo levels. European companies have announced investments in Iran worth billions of euros, and European banks and credit agencies have begun to facilitate transactions.

At the same time, uncertainty over the details of the remaining U.S. sanctions regime and speculation about its future could make some European businesses, especially those with U.S. subsidiaries, hesitant. Legal uncertainties for multinational companies wary of violating U.S. sanctions raise the risks and costs of doing business in Iran. Financing business dealings with Iran remains difficult, and transactions in U.S. dollars cannot be cleared through U.S. financial institutions or the Brussels-based [SWIFT electronic payments network](#). Some state export credit agencies have reportedly demanded insurance premiums that have led banks to insert political risk clauses in contracts, and while many preliminary deals have reportedly been signed, relatively few large contracts have been finalized.

Prospects under the Trump Administration

Should the Trump Administration decide to cease implementing the JCPOA, EU policy would affect implementation of that decision. Absent a significant Iranian breach of the agreement, the EU might seek to continue implementing the JCPOA and could keep sanctions relief in place. However, the U.S. sanctions that have had most effect on Iran are secondary sanctions, and a reimposition of such U.S. sanctions would probably dissuade many EU-based companies from reentering the Iran market. It is possible that Iran might abrogate the accord if economic benefits from the JCPOA declined or stopped.