

# The End of the JCPOA Road?

by Ofira Seliktar

The July 2015 Iranian nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA), prompted many optimists to assume that Tehran would abandon its expansionist, Islamist drive and join the community of nations. But the Obama administration was so desperate for this that it settled for a weak deal that accommodated Tehran's hardliners, leading to its eventual rejection by Donald Trump. Five years later, the deal is on the verge of collapse. What consequences does this have for the Middle East and the world?



*President Obama (with VP Biden, left) announces the signing of the JCPOA, July 14, 2015. The Obama administration settled for a weak nuclear deal with Iran that accommodated Tehran's hardliners.*

## The JCPOA's Critics

Upon founding the Islamic Republic of Iran in 1979, Ayatollah Ruhollah Khomeini vowed to export his revolutionary message throughout the Muslim world via Shiite proxies, or the Axis of Resistance. His aides

realized that nuclear weapons would provide a protective umbrella against attack from the United States and its allies, who would surely oppose Iran's moves.

In the early 1980s, then-president Ali Khamenei was among a group that oversaw

the nascent nuclear project. The Mujahedeen-e Khalq (MEK) opposition group revealed the program's existence in 2002, prompting the international community to impose sanctions, a standard measure to roll back proliferation. In 2005, however, the hard-line President Mahmoud Ahmadinejad revived the so-called resistance economy—an economic self-sufficiency program first launched by Khomeini—to beat the sanctions. Despite official optimism, by 2013, the sanctions had dramatically depleted the economy. Oil sales, which accounted for 60 percent of the government's revenue, were cut in half, reducing Iran's oil exports to about one million barrels per day, far below the 2.5 million exported in 2011. As a rentier state dependent on oil income, the disruption of oil exports was bound to cascade through the economy. The currency dropped from 10,000 rial to the U.S. dollar in 2010 to 30,000 rial in 2015, a staggering 300 percent decline. The level of unemployment was particularly demoralizing: At the end of the Iranian calendar year in March 2013, twelve million people were out of work, but some economists suggested that the real numbers were much higher with youth unemployment reaching catastrophic levels.<sup>1</sup>

The population's distress was reflected in the Iranian misery index,<sup>2</sup> which escalated

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from 38 percent in 2010 to more than 76 percent in 2013. By prompting a sense of doom in the population, sanctions dominated the 2013 presidential elections.

Hassan Rouhani, who represented the reformist and moderate sectors of the electorate, claimed that the economic misery was directly linked to the nuclear project. He wanted to expedite nuclear negotiations so as to ease the sanctions, a step that his hard-line rival Said Jalili described as “national treason.”<sup>3</sup> After Rouhani won more than 50 percent of the popular vote to Jalili's 11 percent, a reluctant Khamenei gave Rouhani a go-ahead to negotiate with the United States, Britain, France, Russia, China, and Germany (the P5+1).

In July 2015, after arduous negotiations, the P5+1 signed the JCPOA, whereby Iran agreed to cut the number of first-generation centrifuge models (IR-1) to 6,014, but only 5,060 of them were approved to operate for the next ten years.<sup>4</sup> The more advanced models were to be decommissioned and stored in Natanz under the International Atomic Energy Agency (IAEA) safeguards. The Fordow facility was ordered to cease enriching uranium for fifteen years. Converted into a nuclear, physics, and technology center, Fordow could have no more than 1,044 IR-1 centrifuges and had to produce radiosopes for medical, agricultural, industrial, and scientific use.

1 *The New York Times*, Mar. 15, 2012; *Ettela'at* (Tehran), Oct. 25, 2013.

2 The misery index is calculated from the rates of unemployment, inflation, and bank lending levels minus the percentage change in real gross domestic product (GDP) per capita.

3 Farhad Rezaei, *Iran's Nuclear Program: A Study in Proliferation and Rollback* (N.Y.: Palgrave MacMillan), 2016, pp. 211-15.

4 *Al-Monitor* (Washington, D.C.), [June 24, 2013](#); *The Washington Post*, June 15, 2013.

Iran was limited to keeping only 300 kilograms of uranium enriched to 3.67 percent; the rest of its stockpile of ten thousand kilograms of low enriched uranium was to be blended down to natural uranium levels or sold abroad.<sup>5</sup>

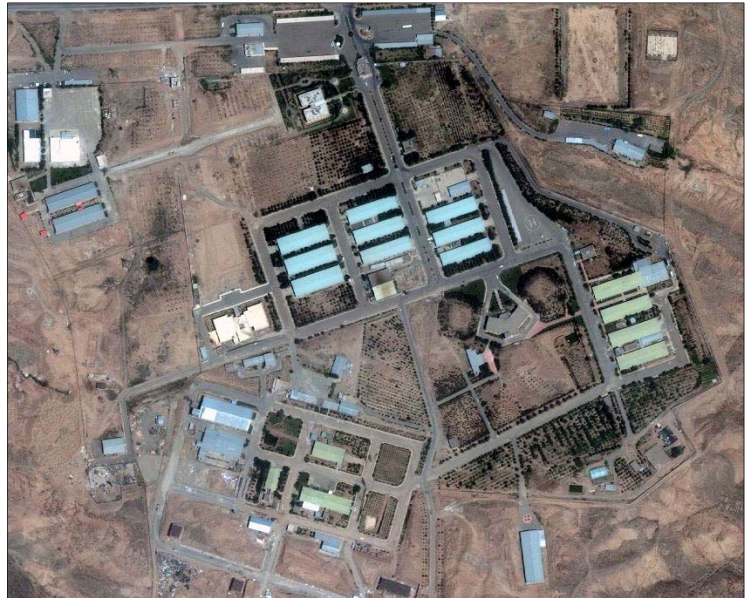
However, several congressional hearings revealed grave problems with the deal, from weak verification and monitoring protocols to Tehran's refusal to disclose the possible military dimensions and locations of suspected nuclear sites. Sen. John McCain, chair of the Senate Foreign Relations Committee, said that lifting sanctions would bolster "military and intelligence operatives" and their destabilizing activities from Syria to Yemen. Senate Republicans tried but failed to prohibit President Obama from waiving sanctions or "otherwise limit[ing] the application of sanctions pursuant" to the JCPOA.<sup>6</sup> The deal was so unpopular that the president could not convince the required two-thirds of the Senate to formalize it as a treaty. The agreement even fell short of a simple majority to approve it, so a contrived formula was used instead: Congress voted to disapprove, meaning that Obama could veto the disapproval if a mere thirty-four senators supported him.<sup>7</sup>

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5 Joint Comprehensive Plan of Action ([JCPOA](#)), *The Washington Post*, July 14, 2015.

6 H.R. 3460, U.S. House of Representatives, Sept. 11, 2015.

7 "[Impacts of the Joint Comprehensive Plan of Action \(JCPOA\) on the United States Interests and the Military Balance in the Middle East](#)," hearing before the Committee on Armed Services, U.S. Senate, July 29, Aug. 4, 5, 2015; *NPR*, Sept. 2, 2015.



*The IAEA standard for Iran was not as demanding as the one applied to other countries. The inspection regime excluded access to military sites such as the base in Parchin where nuclear experiments had allegedly been conducted.*

Outside critics, including prominent experts such as David Albright, founder of the Institute for Science and International Security, and Olli Heinonen, former IAEA deputy director-general for safeguards, pointed out that the inspection regime excluded access to military sites such as the huge base in Parchin where nuclear experiments had allegedly been conducted. In their opinion, the IAEA standard for Iran was not as demanding as the one applied to other countries. An analysis of Iran's nuclear archives obtained by Israel in 2018 confirmed these misgivings.<sup>8</sup>

Other observers noted that the Obama team, eager to strike a deal, caved on ballistic missiles. Under tremendous pressure from the Islamic Revolutionary Guard Corps

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8 David Albright and Olli Heinonen, "[What to do with the crown jewels of Iran's nuclear program](#)," *The Hill* (Washington, D.C.), May 16, 2019.

(IRGC), the Iranian negotiating team refused to include any reference to missile production in the agreement. Instead, the issue was delegated to the U.N. Security Council, which passed Resolution 2231 on July 20, 2015, and endorsed the nuclear pact. The resolution stated that “Iran is called upon not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons.”<sup>9</sup> While there is no universal definition of what constitutes a nuclear-capable missile, experts insist that missiles with a range of 300 kilometers and a payload of 500 kilograms could be considered nuclear-capable.<sup>10</sup>

**The U.N. told Iran not to undertake ballistic missile development “capable of delivering nuclear weapons.”**

### **The Trump Administration’s Decision to Quit**

Candidates running in the Republican primary election in 2016 fiercely condemned the JCPOA with Donald Trump calling it “the worst deal ever negotiated.” Once in the White House, President Trump refrained from certifying Iran as compliant, a condition required by the Senate. In 2018, despite the fact that the IAEA had found Tehran in

compliance, Trump pulled the United States out. Secretary of State Mike Pompeo noted that the 2030 expiration date would allow the regime to resume weapons-grade enrichment. Technically, signing the Additional Protocol of the Non-Proliferation Treaty (NPT), as stipulated by the deal, would have prevented Tehran from pursuing an illicit program after 2030. However, the Iranian parliament never approved the protocol, leaving the country within the much looser verification protocol of the NPT.

Pompeo also worried about Tehran’s ballistic missile program. The Iranians had developed a variety of missiles since 2015. In September of that year, they unveiled the Soumar, a solid-fueled, ground-launched long-range cruise missile with an estimated range of 2,500 kilometers. On September 22, 2017, the Khorramshahr appeared. It is a two-stage, liquid-propellant medium-range ballistic missile with an estimated range of 2,000 kilometers, capable of carrying multiple warheads up to 1,800 kilograms. In August 2018, two new missiles, the Fateh and the Fakour-90, each with an estimated range of 1,300 kilometers, were added to the arsenal. On February 2, 2019, the IRGC announced the successful test of the Hoveyzeh cruise missile, which can fly a distance of over 1,350 kilometers, and a few days later, the Dezful missile was unveiled with a range of some 1,000 kilometers. In February 2020, the media was given access to an advanced Sejill missile designed to carry a nuclear warhead with a range of 2,000-2,500 kilometers.<sup>11</sup>

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<sup>9</sup> [UNSC Resolution 2231](#), U.N. Security Council, New York, [July 20, 2015](#).

<sup>10</sup> Ibid.; UNSC Resolution 1929, U. N. Security Council, June 9, 2010; “[Appendix E: Iran’s Ballistic Missiles and the Nuclear Deal](#),” Arms Control Association (ACA), Washington, D.C.; “[Addressing Iran’s Ballistic Missiles](#) in the JCPOA and UNSC Resolution,” ACA, July 27, 2015; Greg Thielmann, “Leave Ballistic Missiles Out of the Iran Nuclear Deal,” *Defense One*, May 20, 2014; Colum Lynch, “Washington Made It Easy on Iran to Fire Its Ballistic Missiles,” *Foreign Policy*, Mar. 16, 2016.

<sup>11</sup> Farhad Rezaei, “Iran’s Military Capability: The Structure and Strength of Forces,” *Insight Turkey*, 4 (2019): 183-214.





*Sanctions wreaked havoc on the Iranian economy amid signs of the breakdown of Iranian society. Drug addiction expanded from two million users before 2012 to six million in 2019.*

In addition, the White House took a dim view of IRGC general Qassem Soleimani's expansion of his network of Shiite proxies. The Obama administration had assumed that the regime would abandon its Axis of Resistance project after the agreement, a prospect that President Rouhani and Foreign Minister Mohammed Javad Zarif had suggested might happen but did not. Now flush with cash that had become newly available after the lifting of sanctions, the IRGC expanded Soleimani's expeditionary Quds Force. By 2018, he largely controlled Lebanon through the Hezbollah proxy; had rescued Syria's president Bashar Assad; had taken hold of Iraq with the help of local Shiite militias; had developed the Houthis in Yemen into a formidable foe of Saudi Arabia, and had made inroads into Afghanistan. Pompeo said that the JCPOA would need to be revised to account for all three categories of grievances: nuclear enrichment and the sunset clause; ballistic missiles, and the destabilization of the Middle East. To force Tehran to address these issues, the Trump administration

withdrew from the deal in 2018 and imposed the so-called maximum pressure sanctions.<sup>12</sup>

## **Tehran's Maximum Response**

As in the previous round, sanctions wreaked havoc on the Iranian economy. The unemployment rate rose to 15 percent but reached 30 percent among the young. Oil exports decreased by 90 percent, and the gross domestic product for 2020 was on track to shrink by 80 percent. The IRGC was declared a terrorist entity and its assets were subjected to severe sanctions. All in all, the U.S. Treasury added more than one thousand Iranian entities to the sanctions list. The misery index soared once again, this time to the dangerous level of almost 76 percent.<sup>13</sup> Signs of the breakdown of Iranian society climbed, too. The rates of HIV and AIDS infection are up nine-fold since 2006, an 80 percent annual increase. In 2006, nine thousand people were diagnosed with HIV, but eighty thousand were diagnosed in 2017. Drug addiction expanded from two million users before 2012 to six million in 2019.<sup>14</sup> The marriage rate decreased from 550,000 in 2009 to 495,000 in 2019. In 2009, there was

12 Mike Pompeo, U.S. secretary of state, interview, "[After the Deal: A New Iran Strategy](#)," The Heritage Foundation, Washington, D.C., May 21, 2018.

13 *Daily Beast* (New York), [Jan. 7, 2020](#).

14 *Hamshahri* (Tehran), May 25, 2019; Pupils Association News Agency (PANA, Tehran), Dec. 1, 2019; Iranian Student News Agency (ISNA), May 26, 2019.

one divorce for every eight marriages while in 2019, the number rose to one in three. Ahmed Toysarkani, head of the Registration Office, blamed poverty and drugs.<sup>15</sup>

**Tehran banked on persuading the Europeans to undermine Trump's sanctions through an alternative payment system.**

While this behavior worried officials, protesters commanded all the attention. In November 2019, the Resistance Budget office was forced to cut subsidies of gasoline, increasing the price by 300 percent from 10,000 to 30,000 rials (US\$.24 to \$.72) per liter. Massive demonstrations erupted everywhere, which were brutally crushed by the Basij militia, the IRGC arm responsible for domestic security. According to human rights groups, 1,500 Iranians were killed and many thousands arrested.<sup>16</sup>

As much as the new legitimacy crisis was bound to cast the regime in a poor light, Ayatollah Khamenei hardened his position. He had become convinced that the JCPOA was born out of the Rouhani-Zarif "illusion" that giving up the nuclear project would bring Iran long-awaited prosperity. He hinted at this when confessing that he had "made a mistake [in allowing negotiations] due to the insistence of these gentlemen [Rouhani and Zarif]." The Paydari Front, an ultra-radical parliamentary faction linked to Ahmadinejad, went so far as to demand withdrawal from the NPT.<sup>17</sup>

After tense internal debates between the government, the IRGC, and Khamenei, the regime devised a dual-track, diplomatic-military strategy. Rouhani and Zarif led the dip-

lomatic track to appeal to the international community, accusing Washington of waging "economic warfare" and urging "strategic patience" in response to "American provocations."<sup>18</sup>

The government banked on persuading the Europeans to undermine Trump's sanctions through an alternative payment system known as the special purpose vehicle (SPV). Avoiding the American-dominated banking system, the SPV was a de facto clearinghouse for Iranian proceeds from oil and gas sales that could be bartered for Tehran's purchases. On January 31, 2019, Britain, France, and Germany announced the creation of the special vehicle named the Instrument for Supporting Trade Exchanges (INSTEX). Three months later, Iran set up the counterpart on its end, the Special Trade and Finance Instrument (STFI). However, in fear of Washington's secondary sanctions, companies have been reluctant to participate in the scheme. Iranian officials described INSTEX as inefficient and accused the Europeans of caving to U.S. threats.<sup>19</sup>

Tehran showed its displeasure by announcing a gradual disengagement from the JCPOA. On May 8, 2019, the Atomic Energy Organization of Iran (AEOI) said it

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15 *Kayhan International* (Tehran), Oct. 28, 2018; Tasnim News Agency (Tehran), [June 15, 2019](#); Mashregh News Agency (Tehran), [Jan. 25, 2020](#).

16 Reuters, "[Special Report](#): Iran's leader ordered crackdown on unrest: 'Do whatever it takes to end it,'" Dec. 23, 2019; NetBlocks, [Nov. 15, 2019](#).

17 Shahir Shahidsaless, "[Has the US-Iran Conflict Reached a Point of No Return](#)," *Middle East Eye* (London), Apr. 23, 2019.

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18 Author interview with Farhad Rezaei, Center for Iranian Studies, Ankara, Mar. 10, 2020.

19 Mashregh News Agency, [June 29, 2019](#); "[Iran Sanctions](#)," Congressional Research Service, Washington, D.C., RS20871, Jan. 24, 2020.

would reduce compliance, breaching the stockpile cap on heavy water and enriched uranium (300 kilograms of up to 3.67 percent low enriched uranium, the basic ingredient for nuclear fuel). On July 7, 2019, the AEOI revealed that uranium enrichment had exceeded the 3.67 percent limit. On September 5, 2019, Tehran declared that it would abandon all restrictions on advanced centrifuges and go ahead with research and development, and two months later, AEOI technicians began injecting uranium hexafluoride gas into some centrifuges in the Fordow facility, a step that would bring Iran closer to fabricating weapon grade uranium. On January 5, 2020, Tehran declared that it would no longer accept any restrictions on the number of centrifuges, that the nuclear program would not be subject to “any operational restrictions,” and that all activities would be based on Iran’s “technical needs.” These carefully calibrated and very public measures were yet another attempt to pressure the Europeans to relieve the sanctions.<sup>20</sup>

For those in the leadership who had little faith in diplomacy, the military track led by Soleimani was far more attractive. Earlier, during Ahmadinejad’s tenure, several officials threatened to close the Strait of Hormuz, a vital, narrow trade route needed to transport roughly one-fifth of the world’s oil on two-fifths of the world’s oil tankers. But even the habitually belligerent Ahmadinejad did not make good on those threats. Tehran still remembered Operation Praying Mantis in April 1988 when U.S. president Ronald Reagan shelled Iran’s offshore oil facilities



*When the IRGC shot down a \$240 million U.S. drone, Trump refused to retaliate, which emboldened IRGC’s Qassem Soleimani (above). Several months later, an Iranian attack knocked out half of the Saudi oil production.*

as punishment for mining the Strait of Hormuz and damaging a U.S. ship.

Soleimani, however, was convinced that Trump, unlike Reagan, would stand down. On July 26, 2018, while speaking at a commemoration for the Iran-Iraq war, he said that starting a war with “a nation of martyrs” would “destroy all [U.S.] capabilities.” He also mocked Trump as a “gambler” with the style of a “casino” or “bar owner” and warned that “we are near you, in places that you cannot even imagine,” an allusion to the infamous terror capabilities of the Quds Force.<sup>21</sup>

Soleimani took note of Trump’s oft-repeated promise to wind down the “endless wars” in the region. For the IRGC, the 2017 strategy defense review<sup>22</sup> confirmed that Washington planned to focus more on China

<sup>20</sup> Tabnak News Agency (Tehran), [Nov. 9, 2019](#).

<sup>21</sup> “Iran IRGC Quds Hajj Qasem [Soleimani](#),” YouTube, Aug 1, 2018.

<sup>22</sup> “[National Defense Strategy](#) of the United States of America,” White House, Washington, D.C., Dec. 2017.

and Russia and less on counterterrorism. When Trump ordered the military out of Syria in December 2018, Soleimani concluded that the move was part of a military repositioning process. With his assumption seemingly confirmed, the Quds Force commander proposed an audacious asymmetrical plan to disrupt the oil trade and to punish U.S. allies. “If we cannot sell oil,” Soleimani said, “then we would not let you do it either.” When veteran IRGC chief Ali Jafari warned that this strategy was too risky, he was peremptorily sacked by Khamenei in April 2019 and replaced with Hossein Salami, Soleimani’s close ally and a man given to violent rhetoric against the United States and Israel. One observer described the new IRGC commander as “an eccentric warmonger who does not miss an opportunity to elevate the U.S. to new heights.”<sup>23</sup>

Immediate action followed the change of command. On May 12, the IRGC’s naval unit attacked four tankers off the United Arab Emirates’ coast, and the following month, explosions crippled the Japanese *Kokuka Courageous* and the Norwegian *Front Altair* near the Strait of Hormuz. On July 11, Iranian vessels attempted to block a British tanker from traveling through the strait, and a week later, the IRGC’s navy seized two British oil tankers and directed them to the port in Bandar Abbas. On June 20, the IRGC’s Aerospace Force under Amir Ali Hajizadeh shot down an RQ-4 Global Hawk,

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a \$240 million U.S. drone.<sup>24</sup>

Trump’s well-publicized refusal to retaliate further emboldened Soleimani. On September 14, a combined drone and missile attack hit the Saudi Aramco oil facility at Abqaiq, knocking out half of the Saudi oil production. When the White House failed to respond, the Quds Force commander was declared a military genius, and both Khamenei and Soleimani ridiculed Trump as a “loudmouth coward.” The press, echoing the leadership, portrayed the U.S. president as “chicken heart.” On October 13, 2019, when Trump suddenly decided to withdraw troops from the Syrian Kurdish territory Rojava, the Iranian media dubbed it “Soleimani’s Christmas gift.”<sup>25</sup>

Buoyed by accolades and under the perception that he was “attack proof,” Soleimani became even more reckless. Despite the violent upheavals at home and the ongoing problems in Lebanon and Iraq where pro-Iranian militias had killed hundreds of demonstrators, he decided to take his maximum response a step further. Starting in October 2019, Kataib Hezbollah (KH), an Iranian-backed Iraqi Shiite militia, initiated what Secretary of Defense Mark Esper

23 Shahidsaless, “[Has the US-Iran Conflict Reached a Point of No Return](#)”; Enghelab-e Eslami Technical College (Tehran), news release, [May 24, 2019](#); Tabnak News Agency, [Apr. 22, 2019](#).

24 Eliot Higgins, “[Was Iran behind the Oman Tanker Attacks? A Look at the Evidence](#),” *The New York Times*, June 14, 2019; Islamic Republic News Agency (IRNA, Tehran), [July 28, 2019](#); *The Washington Post*, [July 11, 2019](#); “[RQ-4 Global Hawk](#),” *Military.com* (New York).

25 Tasnim News Agency, [Feb. 6, 2020](#); Mark Cancian, “[How the U.S. Could Respond](#) after Iran Shoots down a \$240 Million U.S. Drone,” *Forbes*, June 20, 2019; *The Jerusalem Post*, [Oct. 2, 2019](#); Islamic Republic of Iran Broadcasting (IRIB, Tehran), [May 12, 2019](#); *The New York Times*, [Oct. 13, 2019](#).



described as a “sustained campaign” against U.S. bases in Iraq. On December 27, a U.S. contractor on a base near Kirkuk was killed, and the White House ordered the bombing of KH bases

across Iraq and Syria, killing twenty-five fighters. Soleimani responded by ordering the militia to attack the U.S. embassy in Baghdad, causing considerable damage to the outer perimeter.

Evoking memories of the storming of the U.S. embassy in Tehran in 1979 that doomed President Jimmy Carter’s chances for reelection, the assault was a warning that the Iranians were ready to “Carterize” Trump.<sup>26</sup> Finally, on January 3, 2020, a U.S. drone strike killed Soleimani and Mahdi al-Muhandis, the head of KH.<sup>27</sup>

Soleimani’s death unleashed calls for revenge, and Khamenei set the tone by declaring that Iran would react “directly” and “in force.”<sup>28</sup> On January 8, the IRGC’s Aerospace Force launched sixteen missiles at a facility near the Irbil airport and the Assad base in Iraq that housed some 1,500 U.S. troops. Hajizadeh said that the so-called Operation Shahid Soleimani “chose” not to kill five thousand soldiers, but that more than eighty were killed and hundreds more were wounded.<sup>29</sup> The Pentagon denied that there were any dead and revealed that it had advance warning about the strike, presumably from the Iraqi government. A

**The Pentagon revealed it had advance warning of the Iranian attack on Iraqi bases housing 1,500 U.S. troops.**

leading expert on missile technology noted that the claim of intentionally avoiding casualties was baseless.<sup>30</sup>

With the military track an apparent failure, the Iranian regime had to face the nuclear issue head-on again. As if on cue, on January 14, 2020, the three European JCPOA signatories—Britain, France, and Germany (the E3)—triggered the Dispute Resolution Mechanism (DRM) in response to Tehran’s violation of the treaty. The agreement stipulated that if no solution were found within sixty days, the issue could be referred to the Security Council, which could re-impose the comprehensive “snap-back” sanctions. However, the E3 said the deadline was flexible, hinting that indefinite negotiations were possible.

### **Rational Choices, Iranian Style**

Conducted during Iran’s February 2020 parliamentary elections, the new round of debates rehashed the decades-long arguments about the economic rationality of the state versus the regime’s missionary vision.

Pragmatic politicians and officials argued that the Resistance Economy was running on fumes, pointing to three serious structural challenges that required international cooperation and massive capital investment. The obsolete state of the oil and gas industry was by far the most urgent. As early as 2015, Oil Minister Bijan Zangeneh announced that the industry’s infrastructure required millions of dollars in modernization investments. In February 2020, he said,

26 Mark T. Esper, secretary of defense, and Gen. Mark A. Milley, chairman of the Joint Chiefs of Staff, briefing, U.S. Dept. of Defense, Washington, D.C., [Jan. 2, 2020](#).

27 *The New York Times*, [Jan. 2, 2020](#).

28 Khabar Foori website (Tehran), Jan. 3, 2020.

29 *Ibid.*, Jan. 8, 2020.

30 Uzi Rubin, “[Operation Shahid Solemani](#): Iran’s Revenge,” Begin-Sadat Center for Strategic Studies, Ramat Gan, no. 170, Feb. 13, 2020.

In the oil industry, we need to access [foreign] technology and \$25 billion foreign investment annually, and if this is not achieved, the problem will spread to other sectors. Because of the sanctions, we do not access [both money and technology].<sup>31</sup>

He added that the private sector provided minimal investment, and that the National Development Fund of Iran, which had been created to augment the Oil Stabilization Fund, did not have enough resources.<sup>32</sup>

The banking system was also in trouble. Thanks to decades of mismanagement, corruption, and inefficiency compounded by nonperforming loans, banks had developed a chronic liquidity problem. The Central Bank of Iran had periodically mitigated the crisis with a massive injection of capital, an option cut short by the shrunken resistance budget. Experts, including Adnan Mazarei, former International Monetary Fund deputy head, warned that insolvency might trigger a run on the banks and destroy the economy.<sup>33</sup>

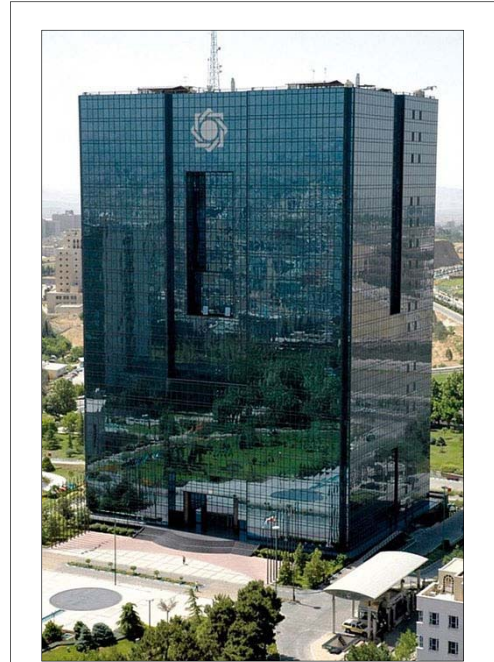
Iranian banks also ran into trouble with the Terrorist Financing Convention and its watchdog, the Financial Action Task Force (FATF), which were created to suppress terrorist financing and money laundering. In 2016, on the Obama administration's recommendation, FATF agreed to remove Iran from its blacklisted states—whose banking systems finance terrorism—if it promised to enact several finance reforms. Still, Rouhani failed to persuade the parliament, which was under pressure from the IRGC, to pass the necessary legislation. So on February 20,

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31 *Ettela'at*, Feb. 16, 2020.

32 *Ibid.*

33 Adnan Mazarei, "[Iran Has a Slow Moving Banking Crisis](#)," Peterson Institute for International Economics, Washington, D.C., June 2019.



*Central Bank of Iran, Tehran. Due to mismanagement, corruption, and inefficiency, Iranian banks have a chronic liquidity problem. The Central Bank periodically mitigates the crisis with massive injections of capital.*

2020, FAFT put Iran back on the blacklist. It left a small opening, though, by stating that “countries could apply counter-measures independent of FATF.” With thirty-six members and two regional groups participating, the blacklist would severely restrict Iran’s access to loans and financial aid.<sup>34</sup>

In addition, water management, exacerbated by climate change, created another systemic challenge. In recent years, the annual precipitation level has declined sharply; in 2018 alone, rainfall decreased by 20 percent. The amount of water in reservoirs diminished by a third, from 32 billion cubic meters of surface water in 2017 to 25 billion in 2018.

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34 “[High-Risk Jurisdictions](#) Subject to a Call for Action,” The Financial Action Task Force, Paris, Feb. 21, 2020.

Farmers have compensated by digging illegal wells, a process that has further depleted the aquifers.<sup>35</sup> A 2017 U.N. report on Iran noted,

**The supreme leader came to believe that the crisis of legitimacy could be managed through coercion.**

Water shortages are acute; agricultural livelihoods [are] no longer sufficient. With few other options, many people have left, choosing uncertain futures as migrants in search of work.<sup>36</sup>

Issa Kalantari, a former minister of agriculture, said that the “water crisis is the main problem that threatens” Iran, adding that it is more dangerous than “Israel, America or political infighting.”<sup>37</sup>

More recently, the spread of the COVID-19 virus in Iran has posed additional formidable challenges. Caught totally unprepared, the regime’s instinctive blaming of the United States (and Israel) for creating and spreading the virus<sup>38</sup> was met with widespread skepticism and public criticism of the government for

covering up the real scope of the pandemic and its mismanagement of the crisis.<sup>39</sup> The already fragile economy is expected to suffer since most neighboring countries cut off commercial contact. The

drop in the price of oil in spring 2020 to negative dollars a barrel at a time when Iran sells only some 200,000 barrels per day adds to the regime’s distress.<sup>40</sup>

Economic rationality, however, does not concern the hardliners. IRGC commander Salami vehemently objected to any discussion with the Europeans while the IRGC-linked media emphasized that the force was fully committed to Soleimani’s strategy of military disruption, including missile attacks on U.S. troops in Iraq and the transfer of weapons to the Houthis in Yemen. The supreme leader, the IRGC, and the Basij militia were buoyed by the successful suppression of protests, and they came to believe that the crisis of legitimacy could be permanently managed through coercion. In a move toward this so-called “forced stability,” the hard-line Guardian Council decimated the list of progressive candidates, creating the most radical legislative body since 1980. Conservatives garnered 191 seats compared with 14 seats for the reformers with the remaining 34 allocated mostly to independents and unaffiliated conservatives.<sup>41</sup>

35 Abouzar Roosta and Mostafa Keshavarzi, “Bohran-I Ab va Tagheerate Ab va Havaee,” [Water Crisis National Symposium](#), Isfahan, 2014; ISNA, Sept. 15, 2018; Reuters, [Mar. 29, 2018](#); Khabar Online News Agency (Tehran), Sept. 2, 2019; Suzanne Maloney, “[Iranian protesters strike](#) at the heart of the regime’s revolutionary legitimacy,” Brookings Institute, Washington, D.C., Nov. 19, 2019.

36 “[Iran](#): Communities Conquer Dust And Drought, Helping Themselves And The Environment,” U.N. Development Programme, June 6, 2017.

37 Voice of America, [Apr. 6, 2014](#).

38 See, for example, “Iranian Supreme Leader Ayatollah Ali Khamenei: U.S. Is Accused of Creating the Coronavirus,” MEMRI TV, Washington, D.C., [Mar. 20, 2020](#); RGC Gen. Gholamreza Jalali, “The U.S. Has Many Biological Labs in the Area That May Be Responsible for Spreading the Virus,” MEMRI TV, [Mar. 10, 2020](#).

39 Radio Zamaneh (Amsterdam), [Mar. 6, 2020](#).

40 Mashregh News Agency, [Feb. 23, 2020](#); *The New York Times*, [Apr. 20, 2020](#); *The Washington Post*, [Apr. 21, 2020](#).

41 Yaakov Lappin, “[Iran’s Regional Terrorism and Nuclear Activities](#) Grow with Its Distress,” Investigative Project on Terrorism, Jan. 23, 2020; Tasnim News Agency, Jan. 4, Jan. 7, 2020; Reuters, [Mar. 29, 2018](#); Khabar Online News Agency, [Sept. 2, 2019](#).

The Trump administration had its own doubts about further negotiations. Some officials implied that, given the scope of the riots, the underlying discontent would eventually lead to the collapse of the Islamic Republic. Although the president denied seeking regime change, his administration has been slow to respond to European entreaties to salvage the agreement. To the contrary, Pompeo revealed a “multipronged plan” to deliver a final “death blow” to the JCPOA. He noted that there were legal grounds to petition the United Nations to restore the snap-back sanctions and that more sophisticated sanctions were in store. Pompeo’s plans received a boost when, in March 2020, Rafael Grossi, the head of the IAEA, accused Iran of blocking inspection of three suspect nuclear sites.<sup>42</sup>

Without more visibility into the current decision-making process, the future of the JCPOA is hard to predict. The maximum response could compel the regime to restart the project with a view of producing enough fissile material for a nuclear weapon. Israeli intelligence estimated that Iran would have enough highly enriched uranium to produce a weapon by the end of 2020, but fabricating a missile fitted with a nuclear warhead may take at least two more years. Jerusalem has already announced that it would not allow Tehran to develop nuclear weapons and might resort to military action with or without U.S. support.<sup>43</sup> In the early 2010s, Prime Minister Benjamin Netanyahu pushed for bombing Iran’s nuclear facilities but was

**Khamenei blamed the Jews for dominating U.S. politics and for waging war on the JCPOA.**

aborted by his own security officials and President Obama. Reflecting the heightened danger, the Israel Defense Forces created a special Iran command to detect and analyze threats from Tehran.<sup>44</sup>

In the immediate future, the regime is expected to drag negotiations with the Europeans while hoping that Trump loses to a Democrat in the 2020 elections. Khamenei himself said that he is encouraged by the Senate’s Iran Power Resolution Act that limits the president’s ability to wage war with Tehran. He also blamed the Jews for dominating U.S. politics and for waging war on the JCPOA. The regime has not said what it will do if Trump wins a second term, but several officials, including Foreign Minister Zarif, threatened to leave the NPT if snap-back sanctions are imposed.<sup>45</sup>

## Conclusion

The struggle between the appeal of a conventional state and its founding revolutionary ethos has stymied the Islamic Republic. The elite want nuclear weapons to protect them as they destabilize the Middle East and pursue their imperialist, Islamist agenda while their less ideological peers bemoan the steep costs of defiance. With the debate unresolved, the Iranian regime would likely find it hard to sign a new agreement

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42 *Al-Monitor*, [Feb. 6, 2020](#); *The Washington Free Beacon*, [Feb. 23, 2020](#).

43 Reuters, [Oct. 26, 2017](#).

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44 Ali Vaez and Naysan Rafati, “[U.S. Maximum Pressure](#) Meets Iranian Maximum Pressure,” Crisis Group, Washington, D.C., Nov. 5, 2019; *Haaretz* (Tel Aviv), [Jan. 14, 2020](#); Ofira Seliktar and Farhad Rezaei, *Iran, Israel, and the United States: The Politics of Counter-Proliferation Intelligence* (Lanham, Md.: Lexington Books, 2018), p. 157.

45 IRNA, [Jan. 20, 2020](#).



requiring a reduction of ballistic missile development and the disbanding of its proxy militias. Indefinitely prolonging the negotiations may be its only option.

**Ofira Seliktar** is professor emerita at Gratz College in Pennsylvania. She specializes in intelligence, including nuclear proliferation intelligence. She is the author of ten books and scores of articles and chapters in refereed publications. Her last two books are *Iran, Israel, and the United States: The Politics of Counterproliferation Intelligence* and *Iran, Revolution and Proxies* (with Farhad Rezaei).

