

SUMMARY - GULF ROUNDTABLE SERIES

PARTICIPATING SCHOLARS

Richard Nephew served as the lead sanctions expert for the U.S. team negotiating with Iran and held the role of Principal Deputy Coordinator for Sanctions Policy at the Department of State from 2013-15. From 2011-12, Nephew served as Director for Iran at the National Security Council. He is currently the Program Director for economic statecraft, sanctions, and energy markets at the Center on Global Energy Policy and an adjunct professor at the School of International and Public Affairs at Columbia University. He is also a nonresident senior fellow in the Foreign Policy Program and affiliated with the Center for 21st Century Security and Intelligence's Arms Control and Non-Proliferation Initiative at the Brookings Institution. He earned an M.A. in Security Studies from the George Washington University. ■

Iran and the World a Year after the JCPOA

Over a year into the Joint Comprehensive Plan of Action (JCPOA), Iran is largely adhering to the terms of the nuclear deal but complains that the Western countries have not delivered promised economic relief in return. Rather than take Iran off the agenda of the international community, sanctions expert Richard Nephew judged that post-JCPOA Iran would pose urgent and important challenges and is likely to continue to do so. Nephew directs the Economic Statecraft, Sanctions, and Energy Markets Program at Columbia University's Center on Global Energy Policy, and he spoke at a CSIS Middle East Program Gulf Roundtable titled "Iran and the World a Year after the JCPOA" on September 23, 2016.

Nephew predicted that Iran would continue to adhere to the requirements of the JCPOA—at least for the first several years of the deal—both because of the incentives attached to it and the risks attached to alternatives. For one, Iran's leaders entered into the agreement with a strong strategic interest in growing the Iranian economy, an interest which would be harmed by derailing the deal. Compliance also provides the Iranians with leverage to push for the United States to adhere to its financial obligations as part of the deal.

Moreover, Nephew argued that the deal presented Iran with an opportunity to develop its civil nuclear program. He pointed out that the steps that Iran was compelled to take to slow down the nuclear program were actually bringing development efforts in line with the state of the country's technology. Now that that politics are a less salient factor, Nephew contended, Iranian leaders have the time and space to reevaluate what they want their nuclear program to look like in the future.

Yet, one area where the deal was never going to be able to meet Iranian expectations was in terms of its immediate economic benefits to Iran, according to Nephew. Desperate to build support for the deal among the Iranian population, President Hassan Rouhani and Foreign Minister Javad Zarif oversold the short-term economic dividends that Iran would reap. In particular, they raised expectations that signing the deal would precipitate the

THE GULF ROUNDTABLE SERIES

The CSIS Middle East Program launched the Gulf Roundtable in April 2007 to examine the strategic importance of a broad range of social, political, and economic trends in the Gulf region and to identify opportunities for constructive U.S. engagement. The roundtable defines the Gulf as the United Arab Emirates, Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, Iraq, and Iran. The roundtable convenes regularly, assembling a diverse group of regional experts, policymakers, academics, and business leaders seeking to build a greater understanding of the complexities of the region. Topics for discussion include the strategic importance of Gulf energy, changing Gulf relations with Asia, human capital development, media trends, trade liberalization, and prospects for greater regional integration. The Gulf Roundtable series is made possible in part through the generous support of the Embassy of the United Arab Emirates. ■

lifting of all sanctions, despite warnings from U.S. negotiators that some would remain in effect. Iranian politicians are now backtracking on these claims, but frustration within Iran over the persistence of U.S. sanctions could prove destabilizing to the deal's domestic constituency.

A series of medium and long-term changes in Iran's domestic landscape will also affect the deal's implementation and aftermath. Nephew noted that Iran is at the precipice of a significant demographic shift as a post-revolutionary generation comes of age. While Nephew predicted no violent uprising, he argued that this shift is likely to produce a turbulent transitional phase, reviving debates over critical questions including the place of security services in society. Meanwhile, cleavages in the fractured Iranian government, and the ways in which key players position themselves, will have important consequences for the deal's long-term viability.

Tensions continue to grow within the Iranian government system, Nephew explained, and it remains unclear how they will resolve themselves. While Rouhani and Zarif may not have control over foreign policy and security files, they do have roles in these areas, Nephew argued, and much will depend on how they wield their influence. Nephew was optimistic that demographic trends point towards a victory for Rouhani in the 2017 presidential elections, but acknowledged that his ability to pursue reforms will hinge on the support of Ayatollah Khamenei.

For his part, Khamenei faces a growing challenge in balancing different demands as Rouhani's technocratically-minded allies push against the ingrained interests of powerful actors. This tension is particularly acute in the realm of banking reform, still a major impediment to Iran's international market access. Iran's attempts to get off the blacklist of international monitoring groups such as the Financial Action Task Force, for example, are mired in domestic disagreements over the ubiquity of the Islamic Revolutionary Guard Corps (IRGC) in the economic sector. The reluctance of international banks to deal with Iranian financial institutions while their links to the IRGC remain murky is forcing the Iranian government to consider whether the IRGC should maintain its current role in the Iranian economy, according to Nephew. Yet, he acknowledged the possibility that Khamenei could decide to prioritize the IRGC's privileged position over an opening to foreign banks.

Turning to U.S. options, Nephew urged U.S. policymakers to stay the course in their implementation of the JCPOA, stressing that little leverage exists to produce a different deal barring a major Iranian violation or provocation. Nephew

framed the JCPOA as a tactical nonproliferation victory rather than a strategic reimagining of the Middle East, but he also stressed the importance of continuing to confront and sanction Iran's malign behavior. At the same time, he urged the United States to find the right balance between pressuring Iran on issues of human rights violations and state support for terrorism becoming a pawn in internal political conflicts.

A crucial task for the next U.S. administration will be to reboot its relationships with allies and reassure them that their concerns regarding Iranian behavior are being addressed, Nephew asserted. To build confidence, Nephew recommended that the United States boost intelligence sharing with allies and involve them in conversations about implementation and enforcement mechanisms in case of Iranian violations. One helpful measure would be for the United States to make allies aware of agreed-on response plans in case Iran cheats.

Looking to the future, Nephew underscored the need for the United States and its allies to transition from debating the current deal to planning for what will come in the post-JCPOA period as restrictions on Iran's nuclear program fall away. A significant challenge could arise should Iran begin to test the system in a more aggressive way in the final years of the JCPOA period. Yet, if Iranian compliance holds, and if economic trends begin to catch up to Iran's expectations, prospects may improve for the United States, Iran, and allied powers to discuss a potential framework for future regulation agreements. Opportunities for cooperation and deconfliction between Iran and its neighbors in areas beyond nuclear power will be subject to the state of tensions between the region's resident powers, and they are more likely to be *ad hoc* rather than systematic. ■

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