

ISSUE BRIEF

Trump's JCPOA Withdrawal Two Years On: Maximum Pressure, Minimum Outcomes

MAY 2020 DAVID MORTLOCK



Economic Sanctions Initiative

Economic sanctions have become a policy tool-of-choice for the US government. Yet sanctions and their potential pitfalls are often misunderstood. The Economic Sanctions Initiative (ESI) seeks to build a better understanding of the role sanctions can and cannot play in advancing policy objectives and of the impact of economic statecraft on the private sector, which bears many of the implementation costs.

Two years ago, US President Donald J. Trump walked into the White House Diplomatic Reception Room and announced his intention to withdraw the United States from the Joint Comprehensive Plan of Action (JCPOA). The Trump administration reimposed sanctions on Iran and has adopted a policy of “maximum pressure” to compel Iran to change its behavior and to deny the Iranian regime the resources to engage in its destabilizing activities. However, he also promised he was ready, willing, and able to make a new and lasting deal with Iran.¹

By some measures, Trump has succeeded. He has established an unprecedented sanctions regime that not only prohibits almost all commercial activity between Iran and the United States, but has used the threat of secondary sanctions to deter broad swaths of other countries’ commercial activity with Iran, including reducing Iran’s oil exports by about two million barrels per day. The Trump administration has unquestionably denied resources to the Iranian regime, siphoning off support to a number of proxies and terrorist groups in the region.

Nonetheless, when judged against the promised policy outcomes, the administration has come up short. Not only has the administration not achieved a “better” deal with Iran, but it has not made progress on any of

The Atlantic Council’s **Global Business & Economics Program (GBE)** promotes transatlantic leadership in an era of great-power competition and works to find multilateral solutions to today’s most pressing global economic challenges. In 2020, the program is pivoting to establish itself as the go-to resource at the intersection of economics and foreign policy. GBE will relaunch with a focus on three pillars central to the future of the global economy and US economic leadership: The future of capitalism, the future of money, and the way forward on economic statecraft. These pillars are critical to ensure that free markets and international economic cooperation will remain the best architecture to enable human potential.

¹ “Remarks by President Trump of the Joint Comprehensive Plan of Action,” White House, May 8, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-joint-comprehensive-plan-action/>.

the policy goals set forth by Trump and US Secretary of State Mike Pompeo in the wake of the withdrawal. Despite imposing broader sanctions, the decision to withdraw the United States from the JCPOA has splintered the P5+1 and dissipated the international political pressure on Iran. Indeed, by the administration's own measure, Iran's malign activities have continued, while Tehran toys with expanding its nuclear activities that were prohibited under the JCPOA. Without a reorientation of the existing US policy, moving beyond an "effective" sanctions regime towards an effective broader strategy and negotiated outcomes, the United States may be destined to achieve nothing more than the maximum pressure and minimum outcomes of the last two years.

The Scene in May 2018

When Trump announced he would withdraw from the JCPOA, the deal had been in place for almost three years and implemented for almost two. The P5+1 negotiating parties intended the agreement to block Iran's pathways to creating a nuclear weapon by freezing or reducing its capacity to produce the amounts of fissile materials required to do so.² At the time of Trump's decision to withdraw, the JCPOA appeared to be doing what it was designed to do.

The United Nations, the United States, and the European Union (EU) had lifted certain sanctions on Iran, as agreed in the JCPOA. The United States lifted the threat of secondary sanctions against foreign companies for engaging in broad areas of business with Iran, specifically: (1) transactions in Iran's energy, shipping, shipbuilding, and auto sectors, including the purchase of Iranian crude oil and petrochemicals; and (2) transactions with over seven hundred Iranian entities and individuals that had been placed on the Specially Designated Nationals and Blocked Persons (SDN) List related to Iran's nuclear program. The Office of Foreign Assets Control (OFAC) also issued a number of general licenses authorizing previously prohibited activities, including General License H, which authorized foreign companies owned or controlled by US persons to do business in Iran.

Business had been slow to trickle into Iran since these sanctions were eased. The United States maintained an embargo on Iran in response to Tehran's support for terrorist groups and other ongoing malign activities, generally preventing US companies from conducting or supporting business there. Many international banks were reluctant to facilitate business with Iran when faced with the prospect of stiff penalties for inadvertently clearing Iran-related transactions through US correspondent banks. Moreover, the risk of secondary US sanctions still loomed over companies doing business in Iran if a designated Iranian party, such as the Islamic Revolutionary Guard Corps (IRGC), was involved. Such details were often difficult to determine in Iran's murky business environment. Those investors who did manage to navigate the sanctions restrictions were further deterred by Iran's dysfunctional economy and high rates of corruption. Nonetheless, Iran struck deals for the importation of cars and locomotives, and obtained international support for a project to explore offshore natural gas. Exports from the EU to Iran increased by about one-third in 2017, amounting to roughly \$12.8 billion.³

By all public measures, Iran had held up its end of the deal. The International Atomic Energy Agency (IAEA) had deployed inspectors and on-site cameras pursuant to the agreement, and repeatedly certified that Iran was in compliance with the terms of the deal. By 2018, Iran operated only about five thousand older-model centrifuges, maintained a much-reduced stockpile of enriched uranium totalling three hundred kilograms, and had filled the core of its heavy-water nuclear reactor with concrete.⁴ Specifically, uranium enrichment facilities at Fordow and Natanz had been repurposed for research, industrial, or medical purposes and were subjected to inspections by the IAEA. Iran abided by the limits on the numbers and types of centrifuges it could operate, as well as the size of its caches of enriched uranium.⁵ The time it would take Tehran to build a nuclear weapon, known as the breakout period, had been extended from a few months to at least a year.

2 Philip Gordon and Richard Nephew, "The 'Worst Deal Ever' That Actually Wasn't," *The Atlantic*, July 14, 2017, <https://www.theatlantic.com/international/archive/2017/07/iran-nuclear-deal-two-years/533556/>.

3 Jack Ewing and Stanley Reed, "European Companies Rushed to Invest in Iran. What Now," *New York Times*, May 9, 2018, <https://www.nytimes.com/2018/05/09/business/iran-nuclear-trump-business-europe.html>.

4 *Id.*

5 Richard Stone, "Iran nuclear deal opens door to scientific collaborations," *Science*, July 14, 2015, <https://www.sciencemag.org/news/2015/07/iran-nuclear-deal-opens-door-scientific-collaborations>.



Arak Nuclear Complex, which resumed heavy water production in the fall of 2019. *Photo credit: Wikimedia Commons.*

From Trump's perspective, however, the deal had been a failure. He complained that Iran's regional behavior, including support for regional proxies and ongoing ballistic missile tests, had not changed since the signing of the JCPOA. Iran continued to support the regime of Syrian President Bashar al-Assad and proxies in Yemen, Lebanon, Iraq, and Bahrain.⁶ A number of Republican US senators sought to undermine the deal, urging then-US Secretary of State Rex Tillerson not to certify Iran's compliance with the deal, as required by US legislation for the sanctions relief to remain in place, despite ample evidence of Iran's compliance.⁷ Tillerson begrudgingly made the certification in April and July 2017. However, in October Trump announced that he would not make the certification

on the basis that the suspension of sanctions was not "proportionate and appropriate."⁸

Finally, on May 8, 2018, Trump announced he would withdraw the United States from the JCPOA and reimpose the sanctions that had been lifted.⁹ Over the ensuing months, the administration escalated US sanctions on Iran to their pre-JCPOA status. Trump issued an executive order re-authorizing the threat of secondary sanctions on covered business activities in Iran, and OFAC added over seven hundred Iranian names back to the SDN List, triggering the threat of secondary sanctions on transactions with those individuals and entities. OFAC also withdrew General

6 Gordon and Nephew, "The 'Worst Deal Ever' That Actually Wasn't."

7 Tom Cotton, Ted Cruz, David Perdue, and Marco Rubio, "Cotton and Colleagues Urge Tillerson Not to Certify Iran Compliance with the JCPOA," July 11, 2017, https://www.cotton.senate.gov/?p=press_release&id=744.

8 Mark Landler and David E. Sanger, "Trump Disavows Nuclear Deal, but Doesn't Scrap It," *New York Times*, October 13, 2018, <https://www.nytimes.com/2017/10/13/us/politics/trump-iran-nuclear-deal.html>.

9 Mark Landler, "Trump Abandons Iran Nuclear Deal He Long Scorned," *New York Times*, May 8, 2018, <https://www.nytimes.com/2018/05/08/world/middleeast/trump-iran-nuclear-deal.html>.

License H, generally prohibiting foreign companies owned or controlled by US persons from doing business in Iran.

Notably, a number of countries had been able to continue exporting crude oil from Iran, operating under exceptions from the US Department of State if they significantly reduced their purchases every six months. As a result, a year-and-a-half after Trump's announcement, the sanctions had cut more than 80 percent of Iran's oil exports. However, in September 2019, the White House announced it would no longer grant such exceptions and would sanction whoever purchased Iranian oil.¹⁰

There was little subtlety or incrementalism to the Trump administration's withdrawal from the JCPOA and reimposition of sanctions on Iran. Yet Trump promised that, alongside this maximum pressure approach, he would be working to resolve the nuclear threat, Iran's ballistic missile program, terrorist activities and other destabilizing activity across the Middle East.¹¹

Economic Impacts of the Administration's Policy

In his speech on May 8, 2018, Trump announced that the United States would institute the "highest level of economic sanction" on Iran.¹² On that front, the administration has succeeded, at least unilaterally.

With the combination of a general embargo and the broad array of activity in Iran now subject to secondary sanctions, the US sanctions regime on Iran is arguably the most comprehensive sanctions regime in the world. Since withdrawing from the nuclear agreement, Washington has only continued to expand on those sanctions reimposed on Iran.

In addition to adding over seven hundred names back to the SDN list, the Trump administration has sanctioned hundreds of additional individuals and entities over the last two years. In one notable example, the US Department of State designated the IRGC as a foreign terrorist organization (FTO) in April 2019.¹³ While the IRGC had already been sanctioned several times over, and the new designation had negligible legal impact, the FTO designation had never before been applied to a state actor. In addition, OFAC designated the Central Bank of Iran (CBI) using its counterterrorism sanctions authority. Trump called the action "the highest sanctions ever imposed on a country."¹⁴ However, the practical impact of this designation was less impressive than Trump suggested. CBI already appeared on the SDN List at the time of designation, and US companies were already precluded from taking advantage of the general license for providing medicine, medical devices, and agricultural goods to Iran if the CBI were involved in the transaction. Further, OFAC later issued a general license authorizing such transactions involving the CBI, rendering the terrorism designation of the bank largely moot as a legal matter.¹⁵

OFAC also made good on the threat to impose secondary sanctions on third-country companies operating in sanctioned sectors of the Iranian economy. Perhaps most notably, in September 2019, OFAC designated two subsidiaries of Chinese shipping giant COSCO Shipping Corporation Ltd. for involvement in transporting Iranian oil.¹⁶

Over the last two years, Trump has also expanded the range of activities in Iran subject to the threat of secondary sanctions. With the energy, petrochemical, shipping, and auto sectors already subject to such sanctions, the administration sought out additional areas. In May 2019, Trump issued an executive order threatening sanctions against non-US companies engaged in significant transactions with Iran's iron, steel, aluminum, and copper sectors.¹⁷ In January 2020, a similar executive order

10 Parisa Hafezi, "U.S. will sanction whoever purchases Iran's oil: official," Reuters, September 8, 2019, <https://www.reuters.com/article/us-usa-iran-oil/u-s-will-sanction-whoever-purchases-irans-oil-official-idUSKCN1VT0H2>.

11 "Remarks by President Trump on the Joint Comprehensive Plan of Action," White House.

12 *Id.*

13 Office of the Spokesperson, "Designation of the Islamic Revolutionary Guard Corps," US Department of State, April 8, 2019, <https://www.state.gov/designation-of-the-islamic-revolutionary-guard-corps/>.

14 Caitlin Orpysko, "Trump announces 'highest sanctions ever' targeting Iran's central bank," *Politico*, September 20, 2019, <https://www.politico.com/story/2019/09/20/trump-sanctions-irans-central-bank-1506558>.

15 Office of Foreign Assets Control, "Authorizing Certain Humanitarian Trade Transactions Involving the Central Bank of Iran," US Department of the Treasury, February 27, 2020, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/gtsr_gl8.pdf.

16 Resource Center, "Iran-related Designations; Issuance of Iran-related Frequently Asked Question," US Department of the Treasury, September 25, 2019, <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20190925.aspx>.

17 White House, "Imposing Sanctions With Respect to the Iron, Steel, Aluminum, and Copper Sectors of Iran," US Department of the Treasury, May 8, 2019, <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13871.pdf>.

expanded the threat of sanctions to non-US persons engaging in significant transactions with Iran's construction, mining, manufacturing, or textile sectors.¹⁸

There is little question the Trump administration has succeeded in inflicting economic harm on Iran. In the two years following the reimposition of sanctions, Iran's gross domestic product (GDP) shrank an estimated 3.6 percent in 2018 and another 7.6 percent in 2019. The International Monetary Fund (IMF) has forecast a further drop of 6 percent in GDP in 2020 due to the coronavirus pandemic.¹⁹

The threat of sanctions on the purchase of crude has effectively frozen nearly all of Iran's oil exports. At the start of 2018, Iran was exporting about 2.3 million barrels per day (bpd). By April 2019, under the continued exceptions for certain purchasers, Iran's exports fell to 1 million bpd. However, since the exceptions were rescinded, Iran has been exporting only about a quarter of a million bpd.²⁰

Furthermore, Iran's currency has plummeted, losing 50 percent of its value against the US dollar. The sanctions have hit particularly hard against the cost of basic goods in Iran which nearly doubled in 2019 based on the consumer price index.²¹ Over the course of one year, the price of beef and milk have almost doubled.²² Rising prices have led to long lines at grocery shops, particularly for rationed meat, forcing the government to ban livestock exports and import hundreds of thousands of cows and sheep to maintain supply.²³

It is difficult to determine the degree to which Iran's economic woes can be attributed to the US sanctions rather than domestic mismanagement and corruption.

Nonetheless, comparing Iran's economy over the last two years to the period when the JCPOA was in effect does strongly suggest that the increased US sanctions deserve the principal credit for the difference.

The impact of US sanctions on Iran has been a subject of high profile debate during the global coronavirus epidemic. Iran saw one of the earliest and deadliest outbreaks of COVID-19 in the world. By early April 2020, nearly seventy thousand Iranians had tested positive for the virus and more than four thousand had died, including a number of Iran's most prominent politicians.²⁴ The Iranian government obscured the scale of the outbreak and were slow to respond, compounding its impact. Further, Tehran blamed US sanctions for the lack of medical equipment.²⁵ Though US sanctions do contain licenses and exemptions for humanitarian assistance, these restrictions, in combination with the Iranian government's slow reaction and secrecy, have made it much more difficult for exporters to find banks willing to process payments for the goods, resulting in shortages of medical equipment in Iran.

OFAC and the rest of the administration have worked to blunt such criticism from Iran. Such efforts include working with the Swiss government to establish a channel for Iran to receive payment for humanitarian shipments through an escrow at a Swiss bank, known as the Swiss Humanitarian Trade Arrangement (SHTA). The first such shipments were made in January of this year.²⁶ Nonetheless, it is unclear how broadly the channel will be available, since OFAC will have final say over the participants and the Iranian parties involved. Further, the channel is available only for Swiss domiciled companies. OFAC also launched a fact sheet to push back on criticism that its sanctions impeded

18 White House, "Imposing Sanctions With Respect to Additional Sectors of Iran," US Department of the Treasury, January 10, 2020, <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13902.pdf>.

19 "IMF Forecasts Global Growth Will Fall 3 Percent Due to 'Great Lockdown,'" *Radio Free Europe/Radio Liberty*, April 14, 2020, <https://www.rferl.org/a/imf-forecasts-global-growth-will-fall-3-percent-due-to-great-lockdown-30554503.html>.

20 "Six charts that show hard US sanctions have hit Iran," BBC, December 9, 2019, <https://www.bbc.com/news/world-middle-east-48119109>.

21 "CPI by Provinces in the Month of Mehr of the Year 1398," *Statistical Center of Iran*, November 10, 2019, <https://www.amar.org.ir/english/SCI-News-Archive/ID/11564/CPI-by-Provinces-in-the-Month-of-Mehr-of-the-Year-1398>.

22 Rick Noack, Armand Emamdjomeh, and Joe Fox, "How US sanctions are paralyzing the Iranian economy," *Washington Post*, January 10, 2020, <https://www.washingtonpost.com/world/2020/01/10/how-us-sanctions-are-paralyzing-iranian-economy/>.

23 "Six charts that show how hard US sanctions have hit Iran," BBC.

24 Kareem Fahim and Dalton Bennett, "Rare voices from Iran's epic coronavirus outbreak tell of stumbling government, deluged hospitals," *Washington Post*, April 10, 2020, <https://www.washingtonpost.com/world/2020/04/10/rare-voices-irans-epic-coronavirus-outbreak-tell-stumbling-government-deluged-hospitals/?arc404=true>.

25 Farnaz Fassihi, "Iran Says US Sanctions are Taking Lives. US Officials Disagree," *New York Times*, April 1, 2020, <https://www.nytimes.com/2020/04/01/world/middleeast/iran-virus-sanctions.html>.

26 "Swiss humanitarian channel to Iran launches with medical shipments," BBC, January 30, 2020, <https://www.bbc.com/news/world-middle-east-51314171>.



Secretary of State Michael R. Pompeo delivers a speech on “Human Rights and the Iranian Regime”, at the US Department of State, in Washington, DC, on December 19, 2019. *Photo credit: Flickr/US Department of State.*

humanitarian assistance and trade in the midst of the epidemic.²⁷ Even improved rhetoric on humanitarian exports is an improvement upon the Trump administration’s early dismissal of the Instrument in Support of Trade Exchanges (INSTEX). While the EU established INSTEX as a mechanism to facilitate non-sanctioned trade, the White House derided the measure as a potential sanctions evasion tool.²⁸

Policy Achievements

When Trump announced the US withdrawal from the JCPOA, he promised that the United States would work with its allies to find a “real, comprehensive, and lasting solution the Iranian nuclear threat” that would include efforts to eliminate the threat of Iran’s ballistic missile program; to stop

its terrorist activities worldwide; and to block its menacing activity across the Middle East.²⁹ The US policies enacted over the last two years have accomplished none of that.

Pompeo laid out the administration’s policy goals in greater detail in a speech to the Heritage Foundation two weeks after Trump’s announcement.³⁰ He said that the United States demanded twelve actions from Iran. Those actions ranged from providing the IAEA a full account of the prior military dimensions of its nuclear program and abandoning such work in perpetuity, to ending its ballistic missile program, to ending support for Hezbollah, Hamas, Houthi militia in Yemen, and all other IRGC “militant” partners. Pompeo made clear that the administration expected an all-or-nothing deal, and sought total capitulation from the

27 Resource Center, “Publication of a Fact Sheet on the Provision of Humanitarian Assistance and Trade to Combat COVID-19” US Department of the Treasury, accessed April 2020, <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20200416.aspx>.

28 Jonathan Stearns and Helene Fouquet, “US Warns Europe That Its Iran Workaround Could Face Sanctions,” *Bloomberg*, May 29, 2019, <https://www.bloomberg.com/news/articles/2019-05-29/u-s-warns-europe-that-its-iran-workaround-could-face-sanction>.

29 “Remarks by President Trump of the Joint Comprehensive Plan of Action,” White House.

30 Michael R. Pompeo, “After the Deal: A New Iran Strategy,” US Department of State, May 21, 2018, <https://www.state.gov/after-the-deal-a-new-iran-strategy/>.

Iranian regime rather than a negotiated resolution to any one or even a handful of these issues.

By the Trump administration's own accounting, US policy toward Iran over the last two years has failed to achieve any of these goals. US Special Representative for Iran Brian Hook regularly briefs the press on Iran's continuation of all of these destabilizing activities. In February 2020, he described continued Iranian support to the Houthis in Yemen, citing multiple US Navy interdictions of large caches of Iranian weapons.³¹ A month earlier, Hook referred to Iran's continued nuclear escalation,³² and a month before that he described Iran's ongoing "efforts to inflame conflicts in the region by proliferating deadly weapons to its proxies."³³

Indeed, Iran's malevolent behavior has intensified in recent months. In September 2019, Iran attacked Saudi Arabia's largest oil processing facility, causing significant damage. In January 2020, following the killing of IRGC General Qassem Soleimani, Iran fired more than a dozen ballistic missiles at two Iraqi air bases housing US forces. While Trump initially dismissed the injuries inflicted on US forces during the attack as "not very serious," the US Department of Defense reported that more than one hundred US service members were diagnosed with traumatic brain injuries as a result of the strike.³⁴

Pompeo and Hook have argued that the greatest "accomplishment" of this strategy over the last two years has been to deny the regime the revenue it needs to fund its malign activities. Further, they claim that US withdrawal from the nuclear deal gives the Trump administration the freedom to make clear that there will be consequences if Iran attacks US interests.

It appears that Iran's proxies in the region have felt the financial squeeze. Hezbollah and other militias in Syria have imposed austerity measures since income from Iran has fallen, resulting in salary and benefit cuts for militia fighters.³⁵ Hezbollah has had to turn to fundraising from other sources.³⁶ However, based on Tehran's statements, it does not appear that Iran has been forced to halt many of its malign activities outright, especially because many of these pursuits are relatively inexpensive.³⁷

In a recent speech regarding the United States' Iran policy, Pompeo cited numerous additional sanctions imposed on Iran, but failed to cite a single policy goal from his May 2018 speech that had been achieved as a result.³⁸ Moreover, no reasoning has been provided to explain how participation in the JCPOA prevented the White House from drawing attention to Iran's destruction behavior. The Trump administration did so numerous times prior to withdrawing from the JCPOA. In addition, Trump, and former US President Barack Obama before him, maintained sanctions on Iran during the implementation of the JCPOA for ongoing aggression, including a general embargo of US goods and services.

It also appears that Iran's nuclear-related activity has gotten worse, not better, since Trump's withdrawal from the nuclear deal. In the immediate aftermath of the withdrawal, Iran remained in compliance with its nuclear obligations under the deal, but in the summer of 2019, after US sanctions pushed most Iranian oil off the market, Iran announced it would no longer be bound by its commitments. Iran exceeded the agreed-upon limits on its stockpile of low-enriched uranium and began enriching uranium to the higher concentration used in medical isotopes, though still far short of the 90 percent purity required for weapons.³⁹ In

31 Brian H. Hook, "Briefing With Special Representative for Iran and Senior Advisor to the Secretary Brian Hook," US Department of State, February 20, 2020, <https://www.state.gov/briefing-with-special-representative-for-iran-and-senior-advisor-to-the-secretary-brian-hook/>.

32 Brian H. Hook, "On-the-Record Briefing with Special Representative for Iran and Senior Advisor to the Secretary Brian Hook," US Department of State, January 30, 2020, <https://www.state.gov/on-the-record-briefing-with-special-representative-for-iran-and-senior-advisor-to-the-secretary-brian-hook/>.

33 Brian H. Hook, "Special Representative for Iran and Senior Advisor to the Secretary Brian Hook," US Department of State, December 5, 2019, <https://www.state.gov/special-representative-for-iran-and-senior-advisor-to-the-secretary-brian-hook-3/>.

34 Mihir Zaveri, "More Than 100 Troops Have Brain Injuries From Iran Missile Strike, Pentagon Says," *New York Times*, February 10, 2020, <https://www.nytimes.com/2020/02/10/world/middleeast/iraq-iran-brain-injuries.html>.

35 Ben Hubbard, "Iran's Allies Feel the Pain of American Sanctions," *New York Times*, March 28, 2019, <https://www.nytimes.com/2019/03/28/world/middleeast/iran-sanctions-arab-allies.html>.

36 Liz Sly and Suzan Haidamous, "Trump's sanctions on Iran are hitting Hezbollah, and it hurts," *Washington Post*, May 18, 2019, https://www.washingtonpost.com/world/middle_east/trumps-sanctions-on-iran-are-hitting-hezbollah-hard/2019/05/18/970bc656-5d48-11e9-98d4-844088d135f2_story.html.

37 "Iran's Allies Feel the Pain of American Sanctions" *New York Times*.

38 Michael R. Pompeo, "Iranian Aggression: The World Awakes," US Department of State, September 25, 2019, <https://www.state.gov/secretary-michael-r-pompeo-remarks-at-united-against-nuclear-irans-2019-iran-summit-iranian-aggression-the-world-awakes/>.

39 Zachary Laub and Kali Robinson, "What Is the Status of the Iran Nuclear Agreement?" *Council on Foreign Relations*, January 7, 2020, <https://www.cfr.org/backgrounder/what-status-iran-nuclear-agreement>.

the fall of 2019, Iran developed new centrifuges to speed up uranium enrichment and resumed heavy water production at Arak. Finally, after the killing of Soleimani, Tehran announced it would no longer accept any limitations in the nuclear deal, including on enrichment capacity, though it did not terminate its cooperation with the IAEA.⁴⁰

Conclusion

Trump can legitimately claim success in his effort to inflict economic damage on Iran. But to what end? His approach has failed to achieve any of the policy goals stated at the time of withdrawal from the JCPOA. The folly of Trump's process-over-substance approach has been seen prominently as Washington tussles with Tehran over the impact of the sanctions on Iran's response to COVID-19. Though US sanctions contain licenses and exemptions for humanitarian support to Iran, the Trump administration remains locked in a public relations battle with Iran. The United States is forced to defend sanctions for the sake of economic isolation, rather than sanctions for the benefit of policy outcomes and progress toward changes in Iranian activity. In the midst of a global pandemic, it has become more difficult than ever to rally international support for a maximum pressure campaign for the benefit of a policy null-set.

Two years after Trump's withdrawal from the JCPOA, the administration should seize the opportunity to pivot to from an exclusive maximum pressure approach to a combined approach of both sanctions leverage and the pursuit of policy outcomes. More specifically, the Trump administration should adopt the following principles in its Iran policy:

- ◆ Abandon the “all or nothing” approach and engage the Iranian regime on specific issues to make incremental progress on Iran's behavior. The United States has succeeded in limiting Iran's capacity to develop nuclear weapons through the JCPOA by marshaling international support for pressure on Iran's nuclear program and offering Iran clear incentives for making concessions. Instead of an unrealistic list of demands unlikely to obtain broad international consensus, the United States should build coalitions and negotiate
- ◆ positive outcomes with Iran on issues most likely to see progress, such as the nuclear program, ballistic missile testing, or detainees.
- ◆ Develop a framework tying specific sanctions to specific bad behaviors by Iran. Since May 2018, most new US sanctions on Iran have been described as a response to Iran's malign behavior in general, often asserting that the targeted activities provide resources to the regime, rather than responding to or creating leverage for preventing any particular Iranian activity.⁴¹ This approach provides no expectation for sanctions relief if Iran improves its behavior to any extent short of its complete capitulation to the full list of US demands, and provides no immediate incentive to do so. The United States has only seen improved behavior from a sanctions target as a result of sanctions tied to specific behavior and improvements in that behavior, where the carrot and stick have both been clear.
- ◆ Take confidence-building measures to expand international support for the US sanctions program and negotiated resolutions with Iran. The US policy and Trump's accompanying rhetoric has polarized the United States from its European and other allies, causing the EU to enshrine the divide in law by expanding the EU blocking statute to prohibit European companies from complying with the US sanctions on Iran.⁴² The United States will need to lead the international community in building pressure on Iran, and will find it much more difficult to achieve concrete policy results with a smaller list of international partners. Washington can build broader international support by demonstrating an understanding of US allies' views and priorities. For example, taking concrete steps to facilitate the export of humanitarian supplies to Iran to support the response to COVID-19 provides an immediate opportunity to build support from European allies. A group of former US diplomats and European leaders recently put forward a list of modest measures to remove practical barriers to such exports, including adding staffing to OFAC's licensing team, issuing comfort letters to non-US banks to reassure them regarding permissible humanitarian trade, and offering public support for the

40 “A Sea of Mourners in Iran, and New Threats From Both Sides,” *New York Times*, last updated January 7, 2020, <https://www.nytimes.com/2020/01/06/world/middleeast/iran-soleimani.html#link-7da09c81>.

41 “Treasury Targets International Network Supporting Iran's Petrochemical and Petroleum Industries,” US Department of the Treasury, January 23, 2020, <https://home.treasury.gov/news/press-releases/sm885>.

42 “Blocking statute,” European Commission, accessed April 2020, https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/blocking-statute_en.



Bank Markazi (the Central Bank of Iran) on Mirdamad Boulevard, Tehran, Iran. *Photo credit: Flickr/Ensie & Matthias.*

use of the SHTA and INSTEX as financial channels for humanitarian aid.⁴³

Two years after Trump's withdrawal from the JCPOA, the United States has successfully established an unprecedented, unilateral maximum pressure sanctions regime, but it has also forgone time and opportunity to pursue concrete policy achievements, including incremental changes in Iran's actions. Whether or not Trump wins reelection in November 2020, the United States will need to pursue policy outcomes, not merely sanctions, if it seeks to change Iran's behavior and achieve a more stable Middle East.

David Mortlock is a nonresident senior fellow with the Atlantic Council's Global Energy Center. Formerly, he was Director for International Economic Affairs for the National Security Council.

This issue brief is part of the Atlantic Council's Economic Sanctions Initiative and is made possible by generous support through Guidehouse LLP, PricewaterhouseCoopers, Procter & Gamble, and the Hon. David D. Aufhauser.

43 "Former US diplomats and European leaders call for easing sanctions on Iran," *Washington Post*, last updated April 6, 2020, https://www.washingtonpost.com/context/former-u-s-diplomats-and-european-leaders-call-for-easing-sanctions-on-iran/74d85222-380a-42e9-9293-67ff9ee64996/?itid=ik_interstitial_manual_8.

Atlantic Council Board of Directors

CHAIRMAN

*John F.W. Rogers

EXECUTIVE CHAIRMAN EMERITUS

*James L. Jones

CHAIRMAN EMERITUS

Brent Scowcroft

PRESIDENT AND CEO

*Frederick Kempe

EXECUTIVE VICE CHAIRS

*Adrienne Arsht

*Stephen J. Hadley

VICE CHAIRS

*Robert J. Abernethy

*Richard W. Edelman

*C. Boyden Gray

*Alexander V. Mirtchev

*John J. Studzinski

TREASURER

*George Lund

SECRETARY

*Walter B. Slocombe

DIRECTORS

Stéphane Abrial

Odeh Aburdene

Todd Achilles

*Peter Ackerman

Timothy D. Adams

*Michael Andersson

David D. Aufhauser

Colleen Bell

Matthew C. Bernstein

*Rafic A. Bizri

Dennis C. Blair

Linden Blue

Philip M. Breedlove

Myron Brilliant

*Esther Brimmer

R. Nicholas Burns

*Richard R. Burt

Michael Calvey

James E. Cartwright

John E. Chapoton

Ahmed Charai

Melanie Chen

Michael Chertoff

*George Chopivsky

Wesley K. Clark

*Helima Croft

Ralph D. Crosby, Jr.

*Ankit N. Desai

Dario Deste

*Paula J. Dobriansky

Thomas J. Egan, Jr.

Stuart E. Eizenstat

Thomas R. Eldridge

*Alan H. Fleischmann

Jendayi E. Frazer

Ronald M. Freeman

Courtney Geduldig

Robert S. Gelbard

Gianni Di Giovanni

Thomas H. Glocer

John B. Goodman

*Sherri W. Goodman

Murathan Günal

*Amir A. Handjani

Katie Harbath

John D. Harris, II

Frank Haun

Michael V. Hayden

Amos Hochstein

*Karl V. Hopkins

Andrew Hove

Mary L. Howell

Ian Ichnatowycz

Wolfgang F. Ischinger

Deborah Lee James

Joia M. Johnson

Stephen R. Kappes

*Maria Pica Karp

Andre Kelleners

Astri Kimball Van Dyke

Henry A. Kissinger

*C. Jeffrey Knittel

Franklin D. Kramer

Laura Lane

Jan M. Lodal

Douglas Lute

Jane Holl Lute

William J. Lynn

Mian M. Mansha

Chris Marlin

William Marron

Neil Masterson

Gerardo Mato

Timothy McBride

Erin McGrain

John M. McHugh

H.R. McMaster

Eric D.K. Melby

*Judith A. Miller

Dariusz Mioduski

Susan Molinari

*Michael J. Morell

*Richard Morningstar

Virginia A. Mulberger

Mary Claire Murphy

Edward J. Newberry

Thomas R. Nides

Franco Nuschese

Joseph S. Nye

Hilda Ochoa-Brillembourg

Ahmet M. Oren

Sally A. Painter

*Ana I. Palacio

*Kostas Pantazopoulos

Carlos Pascual

W. DeVier Pierson

Alan Pellegrini

David H. Petraeus

Lisa Pollina

Daniel B. Poneman

*Dina H. Powell McCormick

Robert Rangel

Thomas J. Ridge

Michael J. Rogers

Charles O. Rossotti

Harry Sachinis

C. Michael Scaparrotti

Rajiv Shah

Stephen Shapiro

Wendy Sherman

Kris Singh

Christopher Smith

James G. Stavridis

Richard J.A. Steele

Mary Streett

Frances M. Townsend

Clyde C. Tuggle

Melanne Vermeer

Charles F. Wald

Michael F. Walsh

Ronald Weiser

Geir Westgaard

Olin Wethington

Maciej Witucki

Neal S. Wolin

*Jenny Wood

Guang Yang

Mary C. Yates

Dov S. Zakheim

HONORARY DIRECTORS

James A. Baker, III

Ashton B. Carter

Robert M. Gates

Michael G. Mullen

Leon E. Panetta

William J. Perry

Colin L. Powell

Condoleezza Rice

George P. Shultz

Horst Teltschik

John W. Warner

William H. Webster

**Executive Committee
Members*

List as of May 3, 2020



The Atlantic Council is a nonpartisan organization that promotes constructive US leadership and engagement in international affairs based on the central role of the Atlantic community in meeting today's global challenges.

© 2020 The Atlantic Council of the United States. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Atlantic Council, except in the case of brief quotations in news articles, critical articles, or reviews. Please direct inquiries to:

Atlantic Council

1030 15th Street, NW, 12th Floor,
Washington, DC 20005

(202) 463-7226, www.AtlanticCouncil.org