

# JCPOA (Nuclear) Negotiations with Iran Are a Test of the EU's Geopolitical Credibility

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*On September 4th, Iranian President Hassan Rouhani said that Iran would give the EU a further 60 days to come back into compliance with its economic commitments under the JCPOA before Iran would initiate a third phase of withdrawal from its own obligations under the deal. On September 29th, the International Atomic Energy Agency confirmed that Iran has been enriching uranium to a purity of 4.35%, which marginally exceeds the limit of 3.67% stipulated under the terms of the JCPOA.*

Furthermore, Iran has at this point exceeded the stockpile of 300 kilograms of nuclear fuel which was agreed upon in 2015. These measures are quickly reversible, but likewise, Iran also has the technical capacity to very quickly implement any decision to further suspend its commitments. The Iranian government has said that it has the technical capacity to resume production of 20% enriched uranium within 48 hours, were it to take such a decision.

The stumbling-block in the negotiations is that, with the United States having withdrawn from the JCPOA and re-imposed sanctions on Iran following Donald Trump's assuming office as US president in 2017, the EU finds compliance with its own JCPOA-obligations extremely difficult, as European banks fear being hit by sanctions themselves if they un-freeze Iranian assets or facilitate transactions relating to Iranian oil-exports. US federal law states that, ultimately, all dollar-denominated banking-transactions worldwide ultimately have to pass through the US banking-system. Therefore, the strategic advantage conferred on the US by dollar-hegemony is not simply that it artificially inflates the value of the dollar, but also that it brings all dollar-denominated transactions worldwide under US legal jurisdiction.

In an attempt to find a workaround, French president Emmanuel Macron has proposed that the EU should extend a \$15 billion letter of credit to Iran, which would be guaranteed by Iranian oil-exports, thereby compensating Iran for losses of revenue owing to US sanctions. The Iranians have already rejected the first version of this offer, wherein this \$15 billion package was classified as a loan rather than as a letter of credit. The distinction is crucial, as classifying the \$15 billion package as a letter of credit would prevent the western powers from trapping Iran in a vice-grip composed simultaneously of an oil-embargo in addition to the obligation to service debt. Iran's Deputy Foreign Minister Abbas Araqchi has explained that such a letter of credit would in effect be a pre-sale of oil.

However, the crucial weakness in this solution is that it will still require a waiver from the US government, which seems improbable considering Trump's intransigence and US National Security Advisor John Bolton's opposition to the plan.

Although, in the interests of fairness, we should extend some credit to President Macron for

his diplomatic initiatives in an effort to find a way out of the impasse, the situation which exists still amounts to a very serious test of the EU's credibility as a distinct negotiating-entity. The principal EU negotiator in the talks which led to the 2015 JCPOA-deal, EU High Representative for Foreign Affairs and Security Policy Federica Mogherini, has shown extreme weakness and passivity since the American withdrawal in 2017. Having worked hard to hammer out the terms of a deal, she has subsequently done absolutely nothing to defend it.

The net result is that the EU is currently in violation of its JCPOA-obligations because it has folded in the face of US economic bullying. What exactly is the point of bothering to negotiate with the EU if it is incapable of maintaining an independent policy on foreign relations, finance or security?

Another question thrown up by this diplomatic shambles is, considering that the number of countries worldwide being targeted by unilateral US economic sanctions is ever-increasing, when do we hit a tipping-point wherein this increasingly trigger-happy US policy, hitting the sanctions-button on reflex, has an accelerating effect in de-dollarization as a global process?

Banking-systems are dependent on a certain minimal level of systemic trust. How can the US hope to maintain its financial role in the world economy if everybody else is continuously reminded that their dollar-denominated assets worldwide can arbitrarily be frozen or seized at any time?

Already, the four largest banks in the world are Chinese. The only factor which has so far delayed China's assumption of the role of the world's banker is that the Chinese government has not yet decided to make the Yuan a more easily tradable currency. Further preparation is still required before the Chinese decide to flick that switch. Once they eventually do, it's game over for the Dollar.

It is understandable that the Chinese have not yet decided to make the Yuan as tradable as other reserve-currencies, but their principal concern is not fears of vulnerability to speculators and raids. The capitalization of China's state-owned financial institutions is such that, together, they could easily mobilize enough volume to defend the Yuan's value against raids, or for that matter to suppress its value, any time they needed to.

I believe that the preparation which the Chinese government most centrally has in mind prior to any decision to make the Yuan fully tradable is the completion of the fibre-optic component of the Belt and Road Initiative. The strategic importance of these fibre-optic pipelines is the most under-emphasized aspect of Belt and Road. Once this physical infrastructure is in place, it will be possible to entirely circumvent American efforts toward virtual piracy in the form of unilateral sanctions. That will have a transformative effect on the world economy. The erosion of dollar-hegemony has been very gradual over the past 15 years, but if we are to see a sudden acceleration, a tipping-point, then that will be it.

It is quite probable that, in anticipation of this, odes to the Petro-Yuan are already being written in Farsi.

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