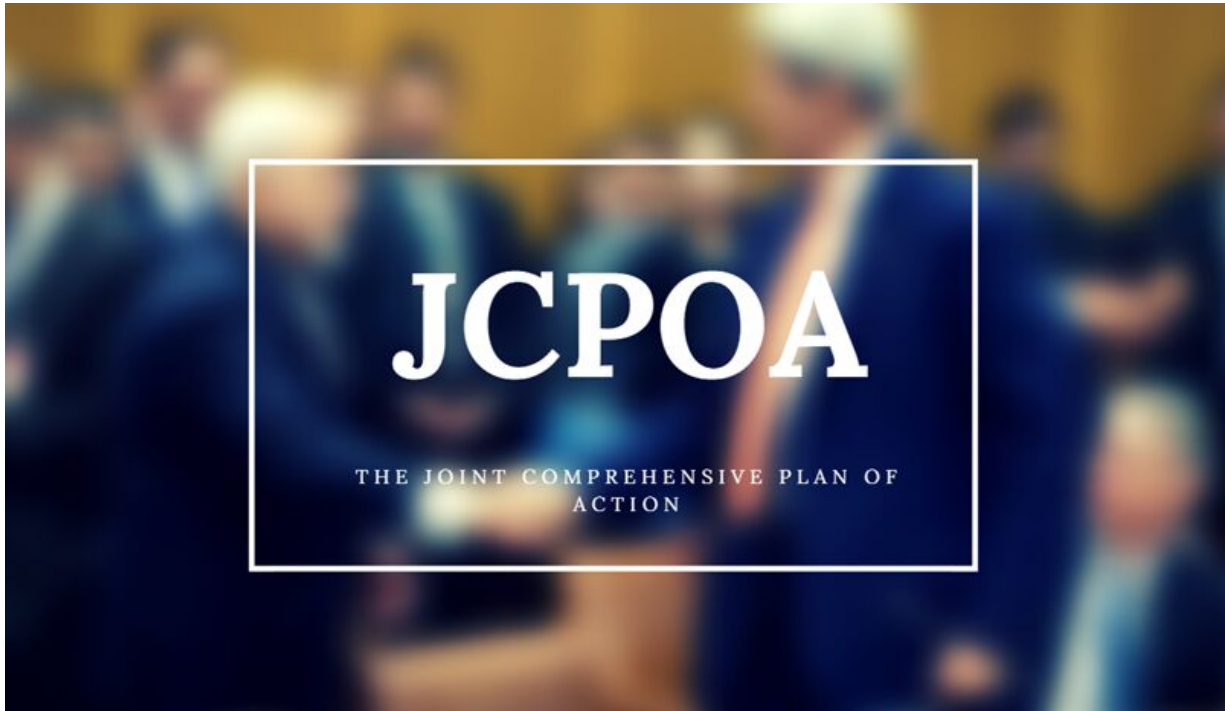


The development of the JCPOA agreement between the EU and Iran.

Is it still possible?



Aalborg University

Master Thesis

European Studies

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October 2023

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Abstract

This project examines the effects of the Maximum Pressure Policy by the United States in the relationship between the European Union and Iran in the framework of the Joint Comprehensive Plan of Action (JCPOA) agreement. This study first investigates the background of the JCPOA. It looks at Iran's nuclear program from the beginning until the JCPOA agreement was signed. Then, the policies adopted by the European Union and Iran in response to the Maximum Pressure Policy will be examined. The main hypothesis of this project is that the maximum pressure campaign by the Trump administration is the main reason for the failure of the JCPOA agreement and that the policy prevents the Europeans and Iranians from getting engaged with each other within the framework of the deal. In fact, the findings show that although both Europeans and Iranians were willing to continue cooperation within the framework of the JCPOA and tried to revive it to some extent, the pressure of sanctions forced Europe and Iran to change their political approach. The two sides could not neutralise the sanctions and the continuation of the JCPOA did not provide the main interests of the two sides.

Keywords: JCPOA, nuclear agreement, Maximum Pressure Policy, the EU, neorealism, Iran, neoliberalism, sanctions, INSTEX

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Chapter 1. Introduction

When the P5 + 1 (the five permanent members of the United Nations Security Council plus Germany) and Iran signed the Joint Comprehensive Plan of Action (JCPOA) in July 2015 in Vienna, it helped to prevent Iran from being in a position where it could produce a nuclear bomb. Nevertheless, things changed in 2017 when former US President Donald Trump came into office. Trump immediately criticized the agreement and expressed his opinion about its effectiveness. He believed the agreement needed to be revised and would like to negotiate a better agreement. Finally, on the 8th of May, President Trump decided to accelerate the withdrawal of the United States from the JCPOA agreement (Zhunisbek, 2018). When the Trump administration announced the withdrawal, the president stated that the previous and new sanctions would come into force, especially on the Iranian oil sector. He said the following to justify his decision: *"We cannot prevent an Iranian bomb under the decaying and rotten structure of the current agreement. Therefore, I am announcing today that the United States will withdraw from the Iran nuclear deal"* (Beauchamp, 2018). President Trump also complained about the so-called "Sunset Provisions", which have an expiry date of 10-15 years and exclude the Iranian development of ballistic missiles, their regional influence, and the country's military bases' presence in the region. Thus, the Europeans had shown their concerns about Tehran's activities but called on the United States to keep these issues separate from the nuclear deal. The EU tried to deliver to Americans the message that economic isolation might not impact the Iranians and could even end up with destructive results (Zhunisbek, 2018).

Following the resignation notice by the United States, on the 8th of May, the then-Iranian Foreign Minister Javad Zarif announced that Tehran would comply with the agreement conditioned by the behaviour of the remaining parties (EU countries), and whether the remaining parties would be ready to secure Iran's interests. However, this did not happen as the pressure policy and the reimposition of sanctions would limit others from buying Iran's oil and the financial institutions having connections with its banks (Zhunisbek, 2018). Former Iranian President Hasan Rouhani also stated that the US's withdrawal from JCPOA is not the end of the agreement and that there are still parties left in the deal, which may benefit Iran if they keep their sanctions away. Next, Iran will decide whether it will continue to comply with its obligations or not (Beauchamp, 2018).

On the 16th of May 2018, European leaders gathered in the Bulgarian capital, Sofia, to find a solution to keep the Iranian oil sector running. In this context, the EU considered using the "1996 Blocking Statute" law, which could have banned EU companies that would like to comply with the US sanctions. However, because of the EU companies' great willingness to trade in the US market and thus a danger of being limited to access, this policy would not benefit the EU. Furthermore, there was an expectation that these US sanctions would cut down Iranian oil production by 500000 barrels of oil, which means that Japan, South Korea and the EU could not trade oil with the Islamic Republic. It means that the economic situation in the country will be similar to 2015 when the economy went from 6.6 % growth in 2010 to 1.5 % in 2015. It would significantly affect Tehran's incentives negatively, which could possibly lead to their departure from JCPOA. On the 21st of May of that year, the then Secretary of State Mike Pompeo announced the new strategy of the United States on the "Maximum Pressure Policy" against Iran. In doing so, if the Iranian state came to the conclusion of leaving the JCPOA agreement, there could be significant consequences in the form of a possible US -Iran conflict for the balance of power in the region (Zhunisbek, 2018).

Therefore, it is in the interest of the project to investigate ***to what extent the US Maximum Pressure Policy impacted the JCPOA deal between the EU and Iran?*** To be able to investigate this research question, the primary purpose of the project is to measure policy decisions made by the EU and Iran within the framework of the JCPOA agreement. In addition, attempts will be made to investigate how the Europeans and the Iranian state approach the pressure after the US policy. To do this investigation, major International relations (IR) theories such as neorealism and neoliberalism will be utilized as the theoretical framework. The method that will be used in the research is a qualitative analysis method that allows you to dig deeper into the selected case. Finally, by using the selected theories, operationalization will occur in the analysis chapter to settle the final results of the project.

1.1 Literature review

This section of the project explains the literature review that will help shed light on the previous research on the subject. The primary purpose is to find relevant empirical data from previous scholars regarding the USA's withdrawal policy from the JCPOA in 2018 and its impact on the relationship between the EU and the Iranian state within the framework of the JCPOA. In addition, a review of central sources and documents relating to the subject and how these contribute to answering the research question will be the focal point of the section. Moreover, due to its importance in nature and unresolved status, the topic has been studied by previous scholars and academics and is therefore a well-known field.

Generally, the sources found regarding the project subject are based on the policies led by the parties that are connected to the JCPOA agreement. Although it is the effect of the USA's Maximum Pressure Policy on the relationship between the EU and Iran after 2018 that is the central theme of this project, it is inevitable to get around the background of the JCPOA agreement, i.e. what is the basis of the agreement from the start until 2018. In relation to this, several sources have been used that focus on the historical development of the JCPOA. For instance, on the European Parliament's website, Parsi & Tabrizi (2020), some data describes the historical moments of the JCPOA agreement and its development over the years. On the European Foreign Service website, eeas.europa.eu (2020), the historical events up to 2018 and the causal effects resulting from the parties' policies are put in focus. In addition, several second-hand sources such as Vakil & Quilliam (2019), provide analyses of the policies the parties pursued within the JCPOA framework. News agency websites such as the state-related Iranian irib.ir and the French rfi.fr are also some of the secondary sources that have sketched out the political decisions in the relationship between the EU and Iran regarding the JCPOA before 2018. The above sources show the general picture of the main point in the literature on the JCPOA. Some of the sources may also be used in other sections of the project.

Shin (2021), contributes with an analysis of whether INSTEX could have been a rescue plan for the JCPOA agreement after the USA's withdrawal from the agreement in 2018. The think tank thus also describes that INSTEX was an attempt by the EU to facilitate trade relations with Iran instead of SWIFT, which, due to US sanctions, could no longer be used between the EU and the Iranian state and its banks. It is mentioned that although there has also been interest from some other EU

countries, more is needed. Brzozowski (2020) defines INSTEX as a mechanism to circumvent US sanctions. The mechanism was meant to be the mutual trade shield for the EU and Iran against sanctions from Washington and to keep the Iranians from a possible nuclear bomb. Immenkamp, (2020) examines the relationship between the EU and the Iranian government after Trump's Maximum Pressure Policy in 2018. The focus is more on the Iranians' political decisions as a response to Washington's policy. In addition, the author has focused on the EU's position concerning Tehran. It also explains what can happen if the parties do not reach an agreement within the JCPOA. For instance, without an agreement, the Iranian state will continue their nuclear program.

Portela (2021) investigates the extraterritorial effect of US sanctions imposed on some other countries, even though they are targeted at Iran and its economy. It argues that the EU is mainly affected by the sanctions and that European entities and companies can come directly under these restrictions. Therefore, the EU is forced to comply to avoid being punished. Segal & Gerstel (2018) contribute to analyzing how third countries such as Korea, Japan, and China react against US economic restrictions, even though China and EU countries are firmly against these restrictions. It also describes that the USA's unilateral sanctions in 2018 significantly limit Iran's oil sector, which affects both the Iranian currency and unemployment among young people in Iran. Also, Bartlett & Ophel (2021) generally explains the effect of US secondary sanctions on various states, including Iran, and how the White House's unilateral decision to withdraw from the JCPOA was met by the international community, especially the EU and the United Nations (UN). In addition, the author touches on the various Iranian sectors affected by these sanctions.

Thus, based on this selected research question, this project aims to examine how the US's protectionist policies with President Trump at the helm in 2018 affect the relationship between the EU and Iran within the JCPOA agreement. In other words, the intention is to measure how the EU and the Iranian government react against this policy from Washington to fend off the pressure. Is it the EU that will cope with it or is it Iran? Were they willing to cooperate further on JCPOA or would they go against it?

Chapter 2. Method

This section will argue for the choice of method, i.e., to shed light on the procedure in the project and its justification to analyze the effect of the USA's Maximum Pressure Policy on the relationship between the EU and Iran within the framework of the JCPOA agreement. The causal effects of the Maximum Pressure Policy and policy measures by the EU and Iran form the basis for the analysis of this project. In order to investigate and measure these effects, the choice of theory and the selection of the empirical data, as well as the analysis of these will be explained. In addition, the method of data collection and the distinction between qualitative and quantitative methods will be described, and finally, the operationalization process and the conclusion will be argued.

2.1 Choice of theory

The choice of theory in this project is related to the research question, which leads to an analysis of the causal effects and most importantly the political decisions in the relationship between the EU and Iran due to Washington's Maximum Pressure Policy. According to Harboe (2014), theory is a coherent explanation of a phenomenon that allows the researcher to simplify and generalize a relationship (Harboe, 2014, p. 121). In addition, theory is the tool that enables interpretation of the empirical evidence (Harboe, 2014, p. 126). Therefore, it is in the interest of the project to use Neorealism and neoliberalism as the theoretical framework in this project. These are considered traditional IR theories which contribute to answering the research question. The Neorealism by Kenneth Waltz (1979) explains how states act in their foreign policy in an anarchic global system. The states are aware of the lack of authority to monitor the actions of the states. Therefore, the states must rationally think about their security and survival. Therefore, states seek to balance their power by maintaining the status quo or becoming as powerful as possible to ensure survival. Neoliberalism by Robert Keohane (1989) assumes that it is an anarchic international system, but there is a central authority in the form of institutions that monitor the behaviour of states. The actors have mutual interests, and any relationship based on mutual interests will benefit both parties. The rules of the international institutions make the states comply with the rules set by the International authorities; therefore, cooperation is much more possible within an agreement. These two theories will help form the basis for analyzing the impact of US pressure policies on the relationship between the EU and Iran within the JCPOA deal.

The method of using theory is the deductive method, which, according to Samfundsfag.dk, is when the investigation starts from the general to the concrete (Samfundsfag.dk). i.e. in order to initiate an investigation, a case must be generalized in order to be able to understand it in a broad sense. After that, the theory will be applied to the selected case, where operationalization occurs at the concrete level. Concerning the selected research question in this project, it can be argued that the project's theories will be utilized as tools to scientifically explain the project's case in a broad sense.

2.2 Research design

The unique characteristic of a case study is that the researcher can go in-depth with a particular case or limited area. This type of study is also known for its exploratory coverage of a problem area. In addition, the focus is on all actors within the field. Nevertheless, what also characterizes case studies is the qualitative method used in the study. However, the qualitative data can be supplemented with quantitative methods like numbers and diagrams (Harboe, 2014, pp. 64-65).

Furthermore, Rasmussen (2020) believes that using case studies enables the researcher to investigate a complex real-world problem. Case studies can be used if there is a need for more explanation and clarification (Rasmussen, 2020, p. 14). The chosen case in this project is the JCPOA agreement, which Iran and the p5+1 signed in 2014. More specifically, the focal point is the USA's Maximum Pressure Policy on Iran in 2018 and its impacts on the relationship between the EU and Iran in the JCPOA deal. This is the primary purpose of the investigation in this project. Therefore, there is a need for an in-depth analysis of the theme mentioned above to find out how the EU and Iran react to the US' pressure policy and how the US policy affects the agreement as a whole. In order to carry out an analysis in that sense, the historical events up to 2018 will be examined, i.e. what is the basis of the JCPOA agreement. Next, the political decisions of the EU and Iran after the US withdrawal from the agreement in 2018 will be examined.

2.3 Qualitative and quantitative method

As mentioned earlier, when a case study is used in a project, then a qualitative method will be applied. However, there may be quantitative methods to supplement the qualitative method. According to Harboe (2014), the difference between qualitative and quantitative methods is the type of data collected for the study. Qualitative empirical data is defined to be soft data. It is a

type of data that cannot be quantified, such as diaries, literature and stories, which are some examples of qualitative methods. The quantitative method, in return is defined as the hard data. The data that can be quantified. Numbers and statistics are examples of quantitative data. These data types form the basis of the quantitative method (Harboe, 2014, p. 47). Thus, the analysis of this project is based on a combination of qualitative and quantitative data. Although qualitative data is the primary method, quantitative methods in the form of statistics are also used in some sections of the project. For instance, a quantitative method is used to measure the effect of US policy on trade between the EU and Iran after the reimposition of the Maximum Pressure Policy in 2018. However, in order to be able to answer the research question as best as possible, it is mainly qualitative data that proves to be more effective because it enables in-depth analysis of the founded empirical data. However, also the intention is to measure the effect of the USA's Maximum Pressure Policy on the EU and Iran's policy decisions.

Concerning the type of sources selected in the project, it can be stated that primary sources such as websites and online documents with connection to the EU Commission, EU Parliament, European External Action Service (EEAS), etc., will be used. In addition, secondary sources such as newspapers and think tanks are used as backup for the analysis. These second-hand sources are supposed to get their data from other first or second-hand sources, which would be reliable and could thus be used to support the arguments in the analysis.

Chapter 3. Theoretical framework

This chapter will describe project approaches aimed at applying and operationalizing theories on data. The theories considered in this project include neo-realism, which Kenneth Waltz discussed back in 1979. This theory specifically provides a point of view that can help analyze the found empirical data in this project. In short, this theory argues that states are the main actors in the international structure, and these states as entities want to either increase their power or maintain their position for survival. Also, the theory of neoliberalism, which Robert Keohane authored in 1989, presents another international relations theory. This theory also refers to the states in the international system, where the governments choose the cooperation approach for

their interests. This cooperation appears on the condition that international organizations and international law are involved in it.

3.1 Neorealism

Neorealism has been central to scholars' research in international politics for decades, especially in the field of security. However, it is no longer the central approach in the debate. Instead, the paradigm has given way to neorealism after the Cold War, also called structural Realism. The theory of neorealism was written and published in "Theory of International Politics" by Kenneth Waltz in 1979 and has since been used as the lens in many political discussions (Wivel, 2002, p. 431). Waltz's production of neorealism gives rise to a systemic theory aimed at developing a concept called the structure of the international system. Two elements are fixed in this international structure: One is the anarchic nature of the international system, and the other is the interaction between units and entities with similar functions. The third element of this structure is the distribution of power - a variable which has an essential place in the theory. Moreover, the most influential actors have specific roles. It means that they are the ones who define the structure of the international system, and not all actors have this capability (Keohane, 1989, p. 41).

The basic assumption of neorealism is that the states are the primary actors in international relations (IR). Actors such as organisations and individuals have a role but to a limited extent, and their power is limited. States are the unit leading and acting during wars and conflicts, and the decision-making by the states, who are rational actors, is based on national interests. Therefore, the leaders in the states are obliged to pursue policies that ensure their state's survival in a competitive environment (Antunes & Camisão, 2017, p. 15). The anarchic structure of the international system impacts states. In this structure, due to the absence of a central authority for protecting the state's mutual actions, the states must take care of their security. When states ensure their safety and survival, the IR will be known as power politics (Wivel, 2002, p. 433). The combination of the anarchic nature of the world system and the purpose of survival and security by the states will force them not to hand over security matters to another side. In other circumstances, the states will have to cooperate if the cooperative parts will at least gain something out of the cooperation so they do not jeopardize their safety and survival. In addition,

the states will have to balance the most potent powers by arming up internally (internal balancing) or by allying with other states (external balancing) or, by going both ways. If states want to heighten their chance of security, they will have to reduce other states to gain a powerful position (Wivel, 2002, p. 434).

Offensive and defensive realism are two realism variants based on the core assumption of Kenneth Waltz's neorealism. Both variants hold the idea of the anarchic nature of the international system, and both come with complementary ideas around the structural level. However, these two variants have a separation point, which is the strategy needed for the states to pursue the purpose of security and survival. Defensive realists believe that the states will position themselves defensively. They will act as defensive positionalists by keeping their position in the international anarchic system without any expansion because the expansion will result in the creation of alliances against the expanding state. There will be a risk for the deposition state by pursuing power maximization (Wivel, 2002, pp. 434-435).

Defensive realists believe that if all the states only focus on defensive positioning, then conflicts will occur as an unintentional consequence of the states when their intention is ensuring their security and survival in an anarchic international system. This way of acting will create a security concern among the states because increasing their safety with the funds they use will automatically reduce the security of other states. Decreasing other states' security and safety does not mean a state is in trouble. However, anarchy means that if a state arms up by positioning itself more strongly to increase its safety chance, other states will have less security because any state knows whether the arming state has bad intentions in the future and will use force. Therefore, the states will balance the arming state by either arming up or going to war (Wivel, 2002, p. 435).

Offensive realists criticize the defensive realists' assumptions, arguing that if defensive positioning is the only to ensure survival in the international system, and no one wants to go to war, and all parties are interested in the status quo, it would be crucial to come to the point that how would a conflict arise and why states are furious to use resources for military reinforcement if states do not threaten each other and everyone would maintain status quo defensively. *Offensive realists* would say that a foreign policy based on expansion is the right decision for the states to secure their survival in the international system. The states should pursue as much power as possible to be able to stand against any upcoming threat. The state's policy will increase its hegemonic power

because security is not just out there, and states must obtain it. Defensive realists obtain security by establishing a power balance, but offensive realists do it by creating an imbalance for their own good. From the lens of offensive realism, the states are characterized as revisionists. Only in theory, if states secure their hegemonic position globally, they will try to maintain the status quo. When states are power maximizers in the international system, conflicts arise due to opposing interests (Wivel, 2002, pp. 435-436).

Figure 1.

	Causal mechanism	Primary purpose of the states	Primary strategy by the states	Primary cause of conflicts and war
Defensive Realism	Anarchy	Security	Maintain international position	Security dilemma
offensive Realism	anarchy	Security	Maximizing Power and hegemony	Expansion

Source: (Wivel, 2002)

The defensive realists' assumption regarding the vision of international political matters is peaceful, and this is due to the absence of opposing interests. Thus, the war will occur exceptionally. The way international cooperation is established is through defensive alliances. However, the states can cooperate in other matters only if they are not conceding any loss. On the other hand, offensive realists' assumptions are based on international politics with many conflicts and the use of military force. It is due to the logically opposing interests of the states in the international system. The cooperation between states internationally is offensive and defensive alliances. There is also a difference between these two perspectives regarding the term of power. Defensive realists consider economic, political, demographic and military as a power source for states. In comparison, the offensive realists have expansionist policies and military power as a priority. Offensive realists still prioritize the distinction between high politics (security and defence) and low politics (other areas). On the other side, the defensive realists reject this distinction.

3.2 Neoliberalism

States remain the most important actors in world politics, at least for those who study contemporary world politics. They also recognize the international systems as decentralized. It means that the formal system points to a system where “each is the equal of all the others. No state command while none is enforced to obey”. Like neorealists, the term “anarchy”, associated with disorder and chaos, characterizes world politics as a place without a joint authority and government. Therefore, the formal relations between states fail to develop. To know about world politics today, it is essential to acknowledge the importance of decentralization and institutionalization. International politics today is institutionalized, and the governments as actors in it understand the rules, norms, and conventions as established part of the institutionalization. These formalities and informalities command diplomatic recognition, extraterritoriality matters, and agendas between parties and governments in multilateral organizations (Keohane, 1989, p. 1).

The most important aspect of the institutionalization of world politics is the impact it imposes on the behaviour of the states. In particular, government cooperation can be understood through institutions that set state action agendas. It does not mean that the institutions always limit the actions of the states. Nor does it mean that the states avoid the impact of their actions on other states’ power and wealth. The core assumption of the theory argued is that the actions of the states in the international system are built on the usual adjustment of the institutions. These institutional adjustments impact:

- *The flow of information and opportunities to negotiate*
- *The ability of governments to monitor others’ compliance and to implement their commitments – hence their ability to make credible commitments in the first place and*
- *Prevailing expectations about the solidity of international agreements*

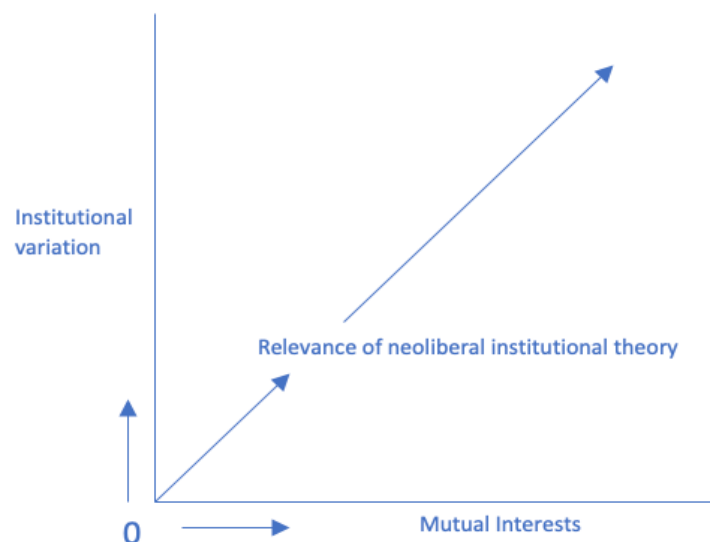
The assumption of neoliberal institutionalists is based on something other than international agreements without trouble and is easy to make, but the assumption is the contrary.

Institutionalists believe that how the states cooperate and communicate depends on human-constructed institutions. The institutions are diverse regarding issues and nature, each related to the incorporated policies. The difference between the institutions is also about the strength of the specified rules. As it is for neorealists, the states are the focus of the neoliberal approach.

However, formal and informal agreements and rules are much more prominent in neoliberal institutionalism than neorealism. Like other major IR theories, such as liberalism and neorealism, which have their approach to world affairs, neoliberal institutionalism provides assumptions about the impact of institutions on states' behaviour and the causes of institutional changes. Both the material forces and the subjective self-understandings of human beings of world politics are examined in this perspective (Keohane, 1989, p. 2).

Neoliberal institutionalism is relevant if two factors are applicable. First, the actors in the international system must have mutual interests for their cooperation. It means that if any relation is upheld, it must be gainful for both parties. Without mutual interest, the theory has no relevance. Secondly is the degree of variation of the institutions and its impact on the behaviour of the governments. A fixed institutional structure of world politics would be less effective on state behaviour. However, variation in institutional arrangements leads to variation in states' behaviour. The mutual interest and institutional variation are shown in the figure below (Keohane, 1989, pp. 2-3).

Figure 2.



Institutions are persistent and interconnected rules defining behavioural roles, limiting activities, and shaping expectations. World politics deals with three forms of international institutions, and two of the most relevant will be mentioned below: First, formal intergovernmental organizations, which are targeted entities. They have the ability to monitor the capacity and moves of the states. They can also react to states' actions. The states construct these organizations. These are

characterized by their bureaucratic structures with explicit rules and specified tasks of rules to individuals and groups. For example, the many intergovernmental organizations inside and outside the United Nations can be mentioned (Keohane, 1989, pp. 3-4).

The other form of international institution is called conventions. Conventions are informal institutions with implicit sets of rules which shape expectations. Conventions allow the states to understand each other and coordinate one another's behaviours. Conventions are suited for coordination. It enables everyone to behave in a particular way if the other party do the same. Conventions also include incentives which force the parties not to violate the rules; otherwise, it will lead to costs. With conventions, the negotiations between states will be more accessible, and monitoring each other's actions will be easier (Keohane, 1989, p. 4).

Chapter 4. Empirical analysis

In this section, the analysis of the data will be settled. This will be done by using selected theories as analysis tools. First, an analysis of the background of Iran's nuclear activities, and the JCPOA agreement between Europe and Iran until 2018 will be investigated. How the two sides reached the agreement within the JCPOA framework. Apart from this, the creation of INSTEX and STFI mechanisms and their application will be investigated. To find out whether the European and Iranian sides wanted to find a solution to continue the JCPOA. And, whether these mechanisms as policy were effective or not. In addition, the impact of sanctions and their consequences on the JCPOA agreement, as well as the reaction adopted by the parties, will be analyzed. Other than that, the direction of increasing Iranian nuclear activities after the Maximum Pressure Policy and the European Union's reaction to these activities will be investigated. In the end, the impact of the pressure campaign by President Trump's administration on the trade between Europe and the Iranian state, and the possible trade policies of these two will be the subject of the analysis.

4.1 The historical perspective

The Iranian society is running on a political system which entails complexity. Neither the domestic nor the foreign policy of Iran is a transparent manner. As a post-revolutionary state, the country has a very distinguished definition of class, gender, and generation, which is difficult to visualize

(Parsi & Tabrizi, 2020, p.1). In the 1950s, Iran began developing its nuclear program under the last king of Iran, Mohammad Reza Shah. They did it with the support of the US. In 1970, the Iranians signed the Nuclear Non-proliferation Treaty (NPT). The NPT led to several deals regarding Iran's nuclear activities, including constructing the Bushehr nuclear reactor (Vakil & Quilliam, 2019). The only part of the NPT deal that permitted the Iranians nuclear-related development was 3-5 % of non-military proliferation (rfi.fr, 2016). However, due to the 1979 Iranian revolution, the nuclear projects were frozen (Vakil & Quilliam, 2019).

Iran's nuclear activity ceased during the war against Iraq between 1980-1988. However, after eight years long war, the decision to reactivate the nuclear program was taken by Tehran. It was performed cooperatively with countries such as Pakistan, China, and Russia. In 1995, Iran developed three new reactors in Bushehr with the support of the Russians. The joint Tehran – Moscow effort to develop Iranian nuclear technology caught the attention of the world society (Vakil & Quilliam, 2019). Iran was suspected of building an unrevealed nuclear facility by Western powers (rfi.fr, 2016), which was later confirmed by a group of Iranians in exile in 2002. The Iranian activities and the existence of unknown facilities led to urgent mediation by E3 (France, UK, and Germany), (Vakil & Quilliam, 2019). Also, before 2002, Western intelligence agencies were aware of the Iranian nuclear activities to the extent that the American satellites had revealed the images of the Iranian facilities. It was later confirmed by the International Atomic Energy Agency (IAEA) (rfi.fr, 2016). Iran's nuclear activities after the war with neighbouring Iraq show that the Iranian state wanted to balance their power position. That is why they acted as a revisionist state by enhancing the nuclear program. It occurred through internal reinforcement by enriching itself with nuclear programs or creating alliances with other states that have already strengthened themselves. The Iranian nuclear activities in secret caused concern among E3 countries, which was perceived as a security problem for them. It would mean that the EU was less secure.

In 2003, Iran chose to agree to put a temporary halt to its nuclear activities with the aim of implementing the so-called "Additional Protocol" by allowing additional monitoring. Despite the agreement reached, the Iranians showed no interest in keeping the agreement. After conversations with E3 countries, Iran signed the Paris Agreement in 2004 to not continue the enrichment activities. The negotiations took place for a better and longer deal with the objective guarantees that Iran's nuclear program is for peaceful purposes. In return, the deal would secure

the Iranians trade enhancement and an option for applying for World Trade Organization (WTO) membership. The negotiations stopped in 2005 because of the Iranians' objective guarantees and the proposal for a small enrichment capacity. In the same year, the ultra-conservative president Mahmoud Ahmadinejad was in office. He was a hardliner and rejected all the negotiations related to Iran's nuclear activities (Vakil & Quilliam, 2019). Applying the neoliberal perspective, the Iranians have shown openness by entering into agreements such as the Protocol and the Paris Agreement with the E3. Both the E3 and Iran must have considered the negotiations important to their interests. The EU secured an agreement to ensure the status quo in regional security in exchange for Iran being allowed to join the prominent company as the World Trade Organization (WTO). It must have been perceived as a win-win agreement for the parties before Iran chose to take a step back with former President Ahmadinejad.

In 2006, the US, China, and Russia joined the negotiation process, which resulted in the creation of the so-called P5+1. It includes all the five permanent United Nations Security Council (UNSC) members plus Germany. Ahmadinejad's rhetoric in the international meetings slowed the negotiations. It led to various warnings from the United Nations (UN), and more international sanctions were imposed, which caused the Iranians political and economic problems (rfi.fr, 2016). The P5+1 group called on Tehran for cooperation in suspending nuclear activities and restoring the additional protocol. However, it was met by Iran's defiance, which led to UNSC resolution 1696 in July 2006. Despite the resolutions and the sanctions, Iran expanded its nuclear activities and even initiated the production of heavy water facilities in the city of Arak while accelerating the work to enhance the Fordow enrichment plant. In the same way, in 2007-2008, the proposals of P5+1 and UNSC were ignored by Tehran. With Barack Obama in office in 2008, the US shifted their policy based on multilateralism as part of P5+1. They wanted to get directly engaged with Iran. P5+1 started negotiating in 2009. As part of the negotiations, the parties have proposed Tehran a deal based on a fuel swap, but the Iranians did not hesitate by rejecting it. In 2010, the UNSC resolution on Iran passed intending to enable the UN member states to put sanctions on Iran's essential economic sectors. The next negotiation round was based on repeated Iranian demands to lift the sanctions as preconditions for any restart of negotiation. During this period of time, Iran also demanded the recognition of their right to enrichment, which was dropped but became the starting point of the JCPOA negotiations.

In 2012, the Obama administration opened the opportunity of establishing a secret channel between the US and Iran, aiming for the formation of a “pragmatic complement” to expand the P5+1 discussion. This offer by the Obama administration was simply about exploring the option of giving Tehran a limited extent of enrichment domestically. In return, the Iranians would agree to a long-term limitation on their nuclear program with the option of monitoring and intrusive verification. All of this should be part of a comprehensive deal. This US policy and the election of moderate Iranian president Hasan Rouhani in 2013 accelerated the P5+1 talks between the parties (Vakil & Quilliam, 2019). For the EU, settling a nuclear deal with Iran would be a landmark achievement. The deal between E3+3 (called in EU) and Iran through multilateralism would secure peace in the region, and anything else could have ended in a catastrophic result (Parsi & Tabrizi, 2020, p.1). Finally, the joint plan of action (JPA) was agreed on 24 November 2013. In this deal, Iran accepted the implementation of a longer-term limitation of their nuclear program in exchange for sanction relief. It should have been done as a comprehensive solution. The parties were forced to fix the last elements of the deal over several meetings. It caused the extension of the deadline of the agreement various times. Finally, on 14 July 2015, the JCPOA deal was signed between the P5 + 1 and the Iranians (Vakil & Quilliam, 2019). The E3, with the involvement of the UNSC, tried to pressure the Iranian state to come to the negotiating table. However, the Iranians refused even though the resolution was introduced against them. It means that the P5 + 1, especially the E3, together with the US, aimed to prevent Iran from progressing with the nuclear program, where Iran pursued a counter-policy by accelerating the development of additional facilities for its nuclear activities, even if it would cost them more sanctions. Later, i.e. after 2012 with Obama at the helm, it turned out that the US, which had the upper hand over negotiations, was willing to give to get something from Iran. Therefore, with the UNSC including Iran's two nuclear providers, China and Russia, involved in the negotiations, the parties agreed to sign the final JCPOA agreement, which secured the interests of all parties, especially the interests of E3 and Iran.

According to iribnews (2020), after signing the agreement, Iran took their initial steps to commit to the JCPOA. The uranium stock with content above 5 % was diluted. The enriched uranium decreased from 9 thousand to 3 hundred kg, with no increasing option in 10 years. They reduced the number of centrifuges to 1/3. A decrease of 20 % uranium to only 3.67 %. The Arak reactor of

heavy water closed and was only used for research activities, and the full access of IAEA into the facilities for monitoring was allowed (iribnews.ir, 2020). JCPOA proved its delivery effectively and provided the IAEA access to the Iranian facilities. The IAEA confirmed the monitoring reports 15 consecutive times from January 2016 until June 2019. The reports showed that Tehran had obliged its commitments. Meanwhile, the EU and others lifted sanctions, as stated in the agreement, which should be the start of the de-isolation of the Iranians and their economy (EEAS.europe.eu, 2020). On the other hand, the US not only did not lift the sanctions but imposed even more sanctions on Iran. Six months after the signed deal, the US Treasury Department sanctioned individuals connected to the Iranian Airways Mahan. A number of other sanctions that could be named such as the freezing of 40 Billion dollars of Iranian assets. Only 1.7 Billion dollars of these frozen assets were released, as was part of the JCPOA. The rest was blocked. The signed contract for purchasing hundred passenger aircraft with Boeing never happened because Iran was restricted by the US sanctions from using dollars in their foreign transactions. While Obama and his administration hesitated to fulfil their commitments, Donald Trump took over the office. Although the UN approved the JCPOA and became part of international law, Trump and his administration withdrew from the agreement (iribnews.ir, 2020). In May 2018, when the US left the JCPOA, a new strategy called Maximum Pressure Policy was instated by the Trump administration. In exchange for this policy, which harmed Iran's economy, the Iranian government adhered to the JCPOA for another 14 months. Nevertheless, shortly after, Iran restarted their activities on uranium enrichment once again (eeas.europe.eu, 2020). It has put the EU in a difficult position because of the possible growing instability in the region (Parsi & Tabrizi, 2020, p.1). The EU explicitly expressed their concern for Iran's activity and urged it to comply fully. At the same time, Tehran showed its concerns about the lifting sanctions not impacting Iranian lives (eeas.europe.eu, 2020). However, the political will of the EU needed to be increased, and the lack of institutional autonomy is the reason for not being able to make the JCPOA politically viable. The importance of the JCPOA is related to the neighbourhood policy of the EU, which directly impacts the region's security situation. In this sense, Iran plays an important role. Therefore, maintaining the dialogue with the Iranian state is crucial (Parsi & Tabrizi, 2020, p.1). Iran's downgrading of the enrichment development program shows that the IAEA's role as the central authority affected the Iranians' behaviour. The effect was also visible in the behaviour of other parties in JCPOA. Both the

EU and Iran had a lot to lose. Both parties did as they had to according to the agreement. The Iranians would have reduced their economic struggle, whereas the EU, on the other hand, could have stopped an outsider from producing a possible nuclear bomb.

4.2 Sanctions

When President Trump triggered the re-imposing sanction in May 2018, the sanctions hindered American companies from tying any business deal with the Iranians. They blocked foreign firms from accessing the US banking and financial system if doing business with Iran. This would mean that any violation of this matter would lead to severe consequences. The imposed sanction by Washington has seriously impacted the Iranian economy. The EU has responded with measures to demolish the impacts of the secondary US sanctions. One of the initiatives is the update of the EU regulation 2271/96, also known as the "blocking regulation". Moreover, the EU has extended the lending mandate from the European Investment Bank to Iran, not at least establishing the particular purpose vehicle INSTEX (Immenkamp, 2020, p. 2).

Many European public are familiar with international sanctions as the headlines and policy tools. However, this phenomenon has an extraterritorial impact and challenges the EU and European law. Also, from a geopolitical perspective, the US sanctions directly affected the EU as they affect third countries such as Iran, Russia, and Cuba. In addition, secondary sanctions impose pressure on EU companies and punishments on EU entities engaging with third countries sanctioned by the US. In many situations, European firms are not the main target of the sanctions and will not be embraced by these, but the companies are obliged to comply. This includes banks wanting to enter the US financial markets for conducting American dollars. This is not to say that European companies do not desire to exploit the capacity of the Iranian market. It will be on the matter of Europe giving up its policy objectives, as these objectives are the incentives for Tehran to commit to its JCPOA obligations. Furthermore, this will also mean that the EU needs the option to make regulations for the good of the European companies and a decreased chance to protect the firms from outsider regulations such as the US policies. These conditions go against Europe's ambitions, called strategic autonomy (Portela, 2021, p. 2).

Throughout the year, from the US Maximum Pressure Policy announcement by Donald Trump until May 2019, the White House increased the pressure volume by putting more sanctions on the

Iranians. Iran's oil sector was the main target and significantly affected their export in the field, which further severely impacted the Iranian economy in general. It was more a broken Iran, which was the target of the Trump administration, than upholding the non-proliferation treaty. The sanctions also have put the EU-Iran sectoral cooperation in jeopardy. For instance, the implementation of a civil nuclear package by the EU, worth approximately €10 million, was met positively by Tehran. However, due to the suspension of the waivers on nuclear cooperation by the Americans, the ability of the EU to shield the peaceful nature of Iran's nuclear activity was affected. Also, after imposing sanctions on the Iranian airline Mahan, some big European capitals such as Rome, Madrid, Paris and Berlin were forced to follow in the same footsteps as the Americans. They banned the airline from entering their airports. Moreover, the US sanctions somewhat blocked the EU from providing humanitarian assistance to Iran. On top of that limitation, the EU delivered €20 million of humanitarian aid to Iran (Parsi & Tabrizi, 2020, p. 4).

The re-imposition of the sanctions on Iran also impacted several countries, such as Japan and Korea. It has held them back from buying Iranian oil, while the Chinese Bank of Kunlun, the Chinese key link to Tehran, has stated that it no longer will process transactions with Iranians. Meanwhile, the EU has raised their mandate to oppose the sanctions' re-imposition (Segal & Gerstel, 2018). The high representative, Joseph Borell, pointed to maximum diplomacy to counter the Maximum Pressure Policy (Sedayiran.com, 2021). At the same time, the Iranian leaders called for maximum resistance and claimed that the regional activities and nuclear non-compliance would benefit them rather than compliance and restraint. Also, the Iranian supreme leader, Ayatollah Khamenei, has stated that the only solution to battle the maximum pressure is the economy of resistance (Mallet, 2021).

As part of the maximum resistance to counter the re-imposed sanctions, Tehran worked on going around the US pressure. According to the Center for Strategic & International Studies (CSIS), Iran intended to sell oils via private companies, but more was needed to shake off the pressure. Instead, it has resulted in many foreign firms leaving Iranian soil, unwilling to be limited to the US financial market system. The International Monetary Fund, also known as IMF, assessed the Iranian economy as weakening by 1.5 % in 2018 and 3.6 % in 2019. Moreover, a month after the US withdrawal, Iran's oil sail declined from 2.7 million barrels daily to 1.7 million. Unemployment

was rising, specifically among the young generation, and the inflation rate was at its highest at 31.4 in September 2018 (Segal & Gerstel, 2018).

Nevertheless, Tehran has been able to resolve the issues related to sanctions. The record of the following three years after imposing the secondary sanctions by the Trump administration shows that the sanctions have not been efficient and, in many areas, worsened the situation by creating tensions while affecting the Iranian's nuclear activities in a negative direction (Vaez, 2021). Not only the US policy failed to force Tehran into the negotiations, but it also had an economic turnaround for the Iranians. The production of copper, aluminium, steel, and electricity moved in the right direction, all in a strategy called the self-reliance strategy (Mallet, 2021).

Although the unilaterally deployed US sanctions were met with opposing bodies such as the EU and the UN, the sanctions on foreign businesses increased rapidly. In 2018, the sanctions rose from two to 13 in 2019 and topped at 78 in 2020, while at the end of Trump's presidency, the total was at 104. At the beginning of the US withdrawal from JCPOA, the affected areas were the Iranian energy, oil, petrochemicals, shipping and banking sectors. Other areas, such as the metal sector, the mining, manufacturing, textile sectors and construction, went under the US sanction in 2019 and 2020 (Bartlett & Ophel, 2021).

From a neorealist perspective, the sanctions were an attempt by the US to limit the Iranians' desired economic position that the JCPOA helps to give them. The Americans' protectionist policy was meant to secure their interests by maintaining their economic hegemony over Iran. On the other hand, this kind of policy can also be considered an offensive attempt to hit Iran's economy by not letting it strengthen and achieve prosperity. In this context, it is crucial to notice how the Iranian state reacts and what kind of policy they are pursuing to avoid these sanctions. As Iran intended to use its nuclear program to lift the imposed sanctions and thereby obtain economic benefits via JCPOA negotiations, it was probably also their aim to balance its economic position concerning both the regional competitors such as Saudis and Turks, but also reduce the economic fragility that exists in the country.

Furthermore, the imposed sanctions were not only a limitation for the Iranians but also for the EU. They are not aimed at the EU but impacted European companies to some extent. The sanctions made EU companies stop cooperating with Iran, which was also an economic restriction against

the Iranian government. So, the sanctions hindered the EU member states from doing business with Iran and weakened the state of Iran to boost its economy with the help of the EU. Seeing it from the neoliberalist lens, the sanctions downgraded the JCPOA agreement and, thus, the role of the UN institutions. The UN and the conventions that are part of the JCPOA were neutralized. The Americans must have assessed that the absolute benefit they received was insufficient for their interests, so they unilaterally left the negotiations. The unilateral withdrawal from the White House had, to some extent, an effect on the behaviour of the other parties and, thus, their view of the JCPOA and international law. Since the negotiations were Iran's direct attempt to remove the economic sanctions, they were almost forced to change their behaviour about the agreement, even if there were financial gains to be made in the agreement by keeping ties with the EU.

4.3 INSTEX

The instrument in support of trade exchanges (INSTEX) was established by the E3 in 2019 to ease trade between the EU and Iran, mostly in humanitarian goods (Mena Report, 2023). With the US, out of the JCPOA deal in May 2018, the EU intended to take a shortcut on the Society for Worldwide Interbank Telecommunications Finance, mostly known as the SWIFT network, which disconnected several Iranian banks from its system. INSTEX was a response by the EU as an alternative way to SWIFT rather than going against the US. In addition, it was considered an act of preservation to keep Tehran on its commitments to the JCPOA (Shin, 2021). However, the mechanism needed more effectiveness. It was initially meant to include medicine, medical goods and food trade. However, after a year of waiting, practical measures were not taken, and Tehran believed that the country would not enjoy political support (Haqshenas, 2019). Thus, from a neorealist perspective, The EU was eager to reduce the possibility of an enriched Iran by incorporating INSTEX to convince them to uphold the deal. It was an attempt to weaken Iran by not letting them enrich themselves with strategic resources but also to maintain the status quo in the region, which is perceived as the neighbourhood of the EU. Besides that, INSTEX could also be a financial gain and thus access to a large market like Iran, where it could become an opportunity for European companies to expand. On the other hand, INSTEX would be an even more significant gain for Tehran, where they could have used a market potential of approx. Four hundred fifty

million inhabitants as the EU could give them. However, the lack of effectiveness of INSTEX made the Iranian state hold back.

Due to the US sanctions on Iran, many foreign banks and companies were reluctant to do business with Iran, which caused a lack of food and medication supplies. The most critical goods were in the area of specialized medicines for the treatment of leukaemia, epilepsy, and epidermolysis bullosa. Based on the economic interests of the EU, INSTEX should secure the EU trade with Iranians while resolving unintended humanitarian spillovers (Shin, 2021). However, this was not possible due to the restrictions resulting from US policy, which created uncertainty in some critical disease areas.

The mechanism was also designed to bypass financial transactions across borders. It means that Iranian import bodies from the E3 countries would pay the Iranian suppliers of E3 countries' customers, and vice-versa. E3 importers of Iranian products should pay E3 export bodies in Iran (Alcaro & Dessì, 2019, p. 9). In other words, for instance, if a company from the EU wanted to export medications to the Middle Eastern country, the manufacturer of the medication equipment would charge the payment from another European company that imported goods from Iran. To get this to work, a twin mechanism called Special Trade and Finance Instrument (STFI) was established in Iran for doing transactions within the countries instead of between them (Shin, 2021). The mechanism was supposed to strengthen the bond between the EU and Iran within the JCPOA, which could have brought both parties economic benefits, especially Iran, which could have averted the financial isolation.

INSTEX, which was placed in France, functioned by a German official and was under the financial support of E3 countries (Alcaro & Dessì, 2019, p. 9), has had almost zero impact. Although the EU has put a hard effort into getting INSTEX to succeed, the work has only been based on political statements and framing policies supporting the JCPOA (Alcaro & Dessì, 2019, p. 12). According to Majid Takht-e Ravanchi, the Iranian ambassador to the UN, "INSTEX is not enough, and the mechanism is like a nice car without any fuel". Also, Mostafa Kavakebian, an Iranian MP, believed that "INSTEX should not be the only framework of the JCPOA. The instrument only covers the products that are not under sanctions. The banking transactions and oil sales must be part of INSTEX" (Haqshenas, 2019). As the first transaction through INSTEX happened in March 2020, most of the European exports were limited to medications and food. Due to the US sanctions on the Iranian oil and banking system, the EU could not do any trade related to Iranian oil (Shin,

2021). This shows that not just Iran was impacted by the US's pressure campaign, but also the EU was indirectly affected by these. Although the EU shows the will to continue negotiations with a rescue plan such as INSTEX, the parties must have assessed that the mechanism is not as effective as it should be.

Nevertheless, the foreign ministry of Germany affirmed on 31 March 2020 about the future transactions and the use of INSTEX as a long-term viable solution. Several European states, such as the Netherlands, Denmark, Sweden, Belgium, Finland, and Norway, joined the bandwagon of E3 to become part of INSTEX (Brzozowski, 2020). Even though Russia was eager to take part in the mechanism. In this case, it was more due to the political support of the Iranians than any desire for cooperation alongside the EU (Shin, 2021). With all this, the instrument is not operational anymore (Mena report, 2023). Not only did the assassination of the Iranian general Soleimani have a negative impact on the further development of INSTEX, but also the US warnings to force anyone to pay the price for violating the US sanctions made the mechanism the contention point of the EU and the US relations, (Brzozowski, 2020). Despite the mechanism's lack of effectiveness, the EU continuously showed interest in developing cooperation with the Iranians by bringing several EU member states to the table. Nevertheless, the US's Maximum Pressure Policies pushed the EU and Iran further apart.

Furthermore, some of the other causes that led to the failure of INSTEX are that the mechanism only functioned in theory. For instance, if the trade between the two parties were balanced, there would be enough money to pay the exporters. While in the area of humanitarian goods, the trade balance was not equal, it was more balanced and proportional regarding the food trade (Aftalion, 2019). During the first 11 months of 2017, the amount of food exported from the EU zone to Iran was a total of €298 million. At the same time, the import of food had a value of €292 million. The trade was more unequal in the case of medical goods. The export of European medications to Iran was €851 million. Meanwhile, the imports of medicals were about €27 million from Iran to the EU (Batmanghelidj & Geranmayeh, 2019). Things would look different if Tehran could transfer oil revenues into the mechanism. However, shutting Iran's oil trade was one of the significant policies of the Trump administration. Any officials, bodies or businesses related to INSTEX engaged in the Iranian oil trade would be punished by the US sanctions (Alcaro & Dessì, 2019, p. 12). The US's

hegemonic designs were also noticeable, where sanction policies prevented Iran from filling the trade arrears with the EU.

Inherent inefficiency was another issue associated with INSTEX. The barter system used in the old days was abandoned and replaced by a much faster banking system to trade more efficiently. The banking system was established to do a quicker capital transfer and create trust between parties, so the products were moved faster. INSTEX would become such a step backwards in the matter of efficiency (Aftalion, 2019).

INSTEX were also criticized by the individuals responsible for it. Looking at the officials in charge of the negotiations, many of them were political experts or diplomats. According to Mohsen Tavakol from the Atlantic Council, there was a prominent absence of individuals from Germany's Ministry of Finance, the UK Treasury, the Central Bank of Britain, and people from the Ministry of Economy and Finance of France. Individuals and experts from these organs of the E3 governments should have been the apparent selection because INSTEX was meant to be a financial solution in the trade relation between the European states and Iran, not a political one. Not selecting from the central banks or finance ministries from the E3 countries for leading INSTEX delivered the message to the government in Tehran, the EU bodies, and the companies and banks interested in INSTEX that it is more a political move than a trading instrument. If that is the case, then it is understood as a political manoeuvre by the E3 governments to shy away from its obligations because of the pressure from Washington.

STFI in Iran, which was the counterpart to INSTEX, unlike those individuals appointed in INSTEX, the selected ones of STFI, such as the former Zamin bank adviser Ali Asghar Nouri, etc., all were connected to the Iranian banking system. However, none came from the Iranian Ministry of Economics and Finance or the Central Bank. These institutions were all sanctioned by the US. None of these individuals was a diplomat or top-seated official. Even though they were specialized in their fields, compared to their counterparts, they needed to be matched in terms of political and operational skills. It could indicate that Iranians were not as interested in INSTEX as they should have been to settle a trade solution (Tavakol, 2019). So, it can also be stated that both parties pursued a kind of protectionist policy precisely based on the offensive pressure game from the White House. Both the EU and Iran knew that they were forced to see a damage control policy in some areas.

Therefore, as mentioned, the mechanisms of INSTEX and STFI were supposed to be a patch to continue and maintain relations within the JCPOA so that the European Union and Iran could meet each other's expectations based on the clauses mentioned in the agreement. However, the effects of maximum pressure prevented cooperation in many cases. For this reason, the point of view of neo-liberalism loses its absolute applicability here because the role of the institutions fades, and the interests of both parties are not provided. However, the creation of two mechanisms can be explained from the perspective of neo-realism. The creation of these mechanisms can be likened to a type of key to remove economic and trade restrictions that both create economic development and increase verification between the two sides. This method could even effectively control immigration waves from Iran and Turkey. In addition, this could be a solution for the Iranians to fight the aforementioned incurable diseases and develop health security. This was also definitely in the interest of the Europeans because it could be a way to somehow open up the already closed society of Iran. However, as explained above, the lack of direct influence of these two mechanisms and the lack of action of both sides to remove the obstacles to further development faced problems.

4.4 Nuclear activity/enrichment

After US withdrawal by President Trump from the JCPOA and re-imposing the sanctions, he stated that the Iranian support for terrorism was the reason for his decision. He called the deal defective at its core. Trump administration gave the US firms a time of 180 days to pull out of Iranian soil. In return, Iran's former President Rouhani discussed the preservation of the JCPOA with the P5+1 members, where he objected to the US action. At the same time, the Iranian president informed the parties about Iran's preparation for restarting unlimited nuclear activities. At the same time, the E3 leaders and the UN secretary-general Antonio Guterres expressed his concern about the US decision on the JCPOA. The IAEA reports afterwards, from 22 February until 31 May 2019, showed that Tehran fully complies with the JCPOA agreement and that all its nuclear activities were transparent. Thereafter, on 1 July 2019, Iran increased its nuclear activities by exceeding 300 kg (JCPOA limit) of uranium. A week later, on 8 July, the production of enriched uranium went over 3.67 up to 4.5. These actions were followed by Iranian's announcement of removing their commitments to development and research in the area. Later, Tehran made investments in research of advanced centrifuges, which was against IAEA's monitoring and safeguarding.

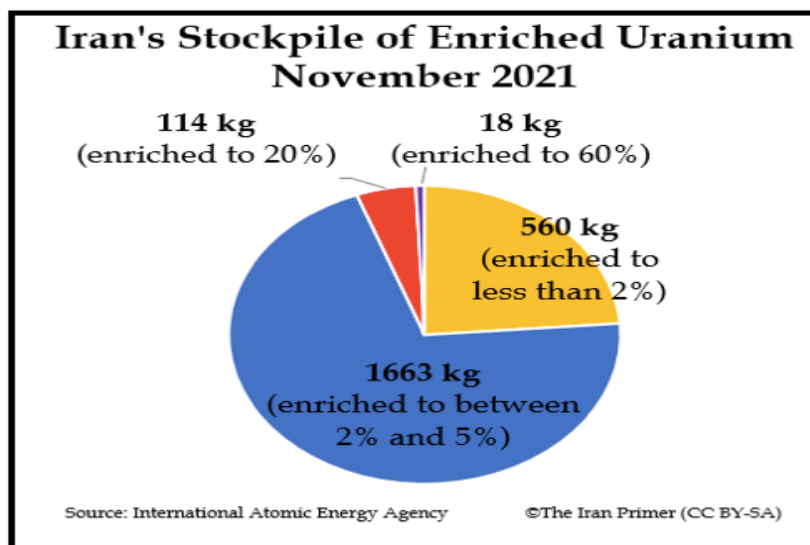
Moreover, on 16 November, the regime in Tehran informed the IAEA about proceedings in heavy water production. In 2020, Iran lifted its production to 5 % and continued cooperating with the IAEA inspectors for monitoring activities related to JCPOA (nti.org, 2020). The figures show that Iran chose to surpass the agreed quantity in JCPOA, which could be interpreted as a decisive step against a possible nuclear bomb. In addition, these activities are a sign of an apparent undermining of international law, with UNSC at the forefront.

Despite the Iranian gradual non-compliance, the JCPOA parties remained informed that these activities would be reversed if the parties would make compensation for the American withdrawal from the JCPOA. Every two months, Tehran revealed its activities on reducing compliance with the agreement. It was a less-for-less approach by Iran, which was turned down by the E3 countries. However, the Iranian non-compliance activities raised concerns among E3 and EU member states. On 14 January 2020, right after Tehran's last announcement, the E3 decided to trigger the DRM (Dispute Resolution Mechanism). The joint statement by the E3 was as follows: *“The move by the E3 is in good faith with the overarching objective of preserving the JCPOA and in the sincere hope of finding a way forward to resolve the impasse through constructive diplomatic dialogue”*. Despite the triggering of DRM, diplomatic talks have not been fruitful between the parties to settle any result (Parsi & Tabrizi, 2020). Although JCPOA was stepped on as a result of the US Maximum Pressure Policy, the Iranian government chose to be passive by leading a step-to-step policy to measure the EU's behaviour. Thus, the EU release of DRM shows that they were still open to dialogue to create results.

In June 2020, the IAEA reported to the board of governors of the IAEA about the investigation, based on four geographic locations on Iranian soil. The report shows that Iran maintained nuclear-related equipment and materials from 2003, which were not declared to the IAEA. The agency visited three of the four locations in 2019 and 2020 and observed the presence of processed uranium. Since then, until March 2022, Tehran has not provided any reasonable motive to the IAEA about processing uranium. Moreover, the agency reported in May 2022 that nuclear activity related to uranium metal was observed at the fourth site, and Iran was obliged to inform this (armcontrol.org, 2022). This hidden location related to Iranian Atomic Activities is an offensive trait from Tehran in arming with illegal atomic means.

The Iranians accelerated their nuclear activities as retaliation by passing a new law in December 2020. President Rouhani was not happy with the law, which shut down the option of a mutual return to the negotiation table for the revival of the JCPOA. In September 2021, the Iranian Atomic Energy Organization passed the law to increase uranium enrichment to 20 percent. Other than that, the installation and enrichment of uranium with 1000 advanced IR-2 centrifuges were activated. Furthermore, equipment installed to produce uranium metal and the IAEA's access to monitoring the Iranian nuclear activities as part of the JCPOA deal became partially limited (Davenport, 2021). Iran started producing to a lesser extent of 60 percent enriched uranium (bbc.com, 2021). These were yet another one of Iran's ambitions to enrich themselves with atoms that can be interpreted to violate international conventions. It may be that they could secure some strategic means and even atomic/uranium products, but these policies could also send Iran to even more splendid financial isolation. On the other hand, it can be interpreted as a step back for the EU not to be able to reduce Iran's activities.

Figure 3.



Source: (Davenport, 2021)

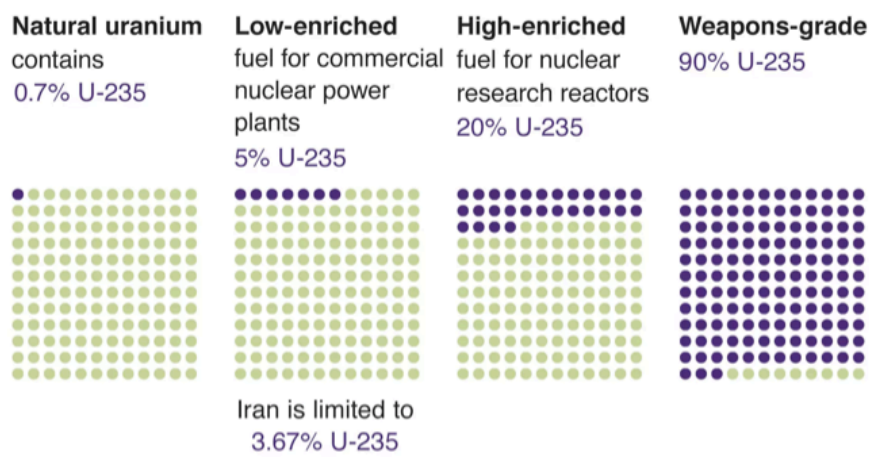
In ultimo 2021, Iran acquired about 2313 kg of enriched uranium. As shown in the figure above, the stockpiles of enriched uranium do not match the JCPOA agreement. The stockpile consisted of 560 kg of under 2 percent of enriched uranium. Additionally, 1663 kg of between 2 and 5 percent enriched uranium comprised most of the stockpile. 114 kg of 20 percent enriched uranium and only 18 kg of 60 percent enriched uranium. Anything over 5% enrichment of uranium violates

conventional law, whereas 60% is remarkable, as it can be interpreted as a severe development of the atomic program.

The uranium enriched to 20 percent level will usually be used in research reactors, and the higher levels of enriched uranium, according to Tehran, would be used as fuels for the Tehran Research Reactor, which would develop the production of medical isotopes. As part of the JCPOA deal, the fuel for the Tehran Research Reactor should be imported by the permanent members of the UNSC. However, since the re-imposition of the sanctions, it was stopped. The 60 percent enrichment level was justified by the regime in Tehran by stating that this would be used for “nuclear propulsion in ships and submarines”. This peaceful program is legalized by NPT, which Iran is part of (Davenport, 2021). The legal activity as part of the NPT can easily be transformed into illegal, and the states cannot know the given state's purpose other than what is mentioned. Therefore, 60% enrichment is a serious development.

IR-6 is also one of the latest models of Iranian-produced centrifuge related to their nuclear program. This type of centrifuge should be seven to eight times more effective than the IR-1 type that is agreed under JCPOA. According to BBC.com (2021), 20 percent of pure enriched uranium could be used for military purposes because 90 percent of the work required to produce a bomb is from nothing to 20 percent of enriched uranium, and not much work is needed to refine the uranium to 90 percent purity which is the level needed for a weapon.

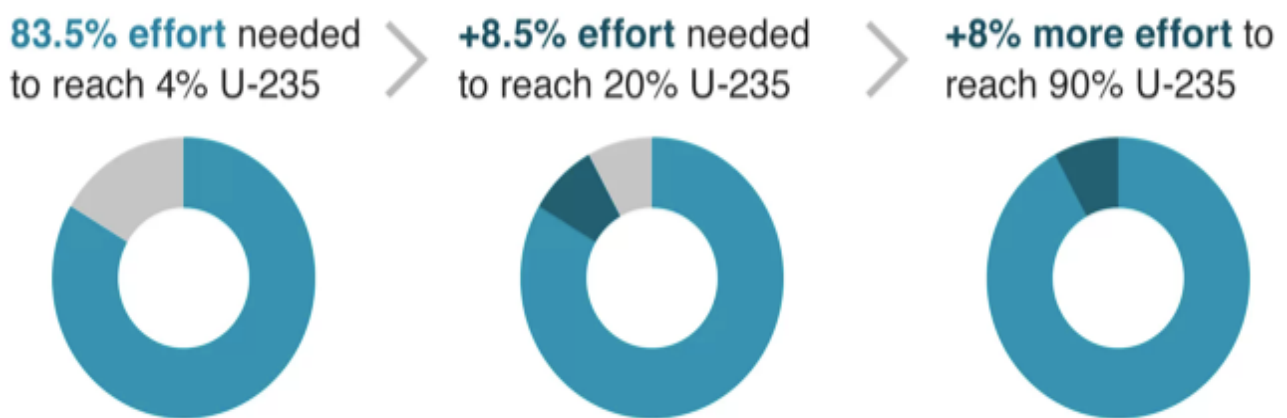
Figure 4.



Source: BBC.com

The figure above demonstrates the enrichment process and the difference between the purity and functionality levels. What is essential to notice is the usefulness of the highly-enriched uranium, which is aimed to be used as fuel for the reactors. Furthermore, as shown in the figure below, the effort demanded from 20 percent to weapon-grade pure uranium is only 8 percent. Although Tehran claimed that its nuclear activity was based on a peaceful purpose, but in reality, Iran was not far from being equipped with an atomic bomb (bbc.com, 2021). The continuity of the development of the nuclear program was thus a signal to the counterparties in the JCPOA, including the EU, to say that the program would intensify if more pressure were applied in the form of sanctions and that the parties, especially the United States, must comply with what was agreed back in 2014.

Figure 5.



Source: BBC.com

Due to the nuclear non-compliance activities by Iran, the EU showed its concerns and called this an undermining of diplomacy. The union urged the Iranians not to take any further steps. On behalf of all the EU member-states, the high representative Josep Borrell warned Iran by referring to the Iranian's latest 20 percent enrichment initiatives as "a very serious development". The EU foreign affairs leader also urged Tehran to cooperate with the IAEA and reversion the Iranian actions immediately. The EU also supported the facilitation of the US's comeback to the deal by intensifying diplomacy to reach the goal (timesofisrail.com, 2021). The former German foreign minister, Heiko Maas, also relied on a change in the US administration by calling it "the last window" to secure all parties' interests (theguardian.com, 2021).

If we look at Iran's nuclear activities from the neoliberalist point of view, both Europe and Iranians put the neoliberal approach at the root of their decisions. Europe, which was doing its best to develop the terms of the JCPOA in order to keep its opposite party, the Iranian government. He had put this on his agenda through diplomacy and reverse dialogue. However, they still need to reach their desired end. In the meantime, the International Atomic Energy Agency was thoroughly investigating the behaviour of both sides. On the other side of the case, Tehran showed the expected behaviour without nuclear activity until one year after the Maximum Pressure Policy was applied. However, after a year, they started changing their direction and decisions against the JCPOA rules even though they did not meet their expectations. Iran probably considered the reason for this to be America's withdrawal from the agreement. For this reason, the Iranians increased their enrichment step by step in order to convey their message to the other party with the hope that these movements would affect their behaviour.

From the neo-realist point of view, Iran's motivation after July 2019 was to return to the existing conditions before the JCPOA. It means that Tehran had concluded to expand its nuclear programs again, which is considered a type of massive policy. The Iranian government probably believed they should pursue counter-attack policies on their agenda when they cannot establish relations with other countries due to sanctions. Instead, the Europeans were trying to maintain the existing conditions of the JCPOA. It means they could convince the other party to comply with their obligations. For this reason, the role of the Atomic Energy Organization seemed less effective. As the percentage of Iran's nuclear activities shows, they wanted to maximize their geopolitical security with these activities, which would simultaneously result in instability for the region.

4.5 Trade

After the US withdrawal from the JCPOA and re-imposing the sanctions by the Trump administration in May 2018, the EU took measures to mitigate the impact of the US sanctions. One of the measures was the blocking statute, which should allow EU companies to do business with Iran. Concerning that, the former high representative, Federica Mogherini, stated as follows:

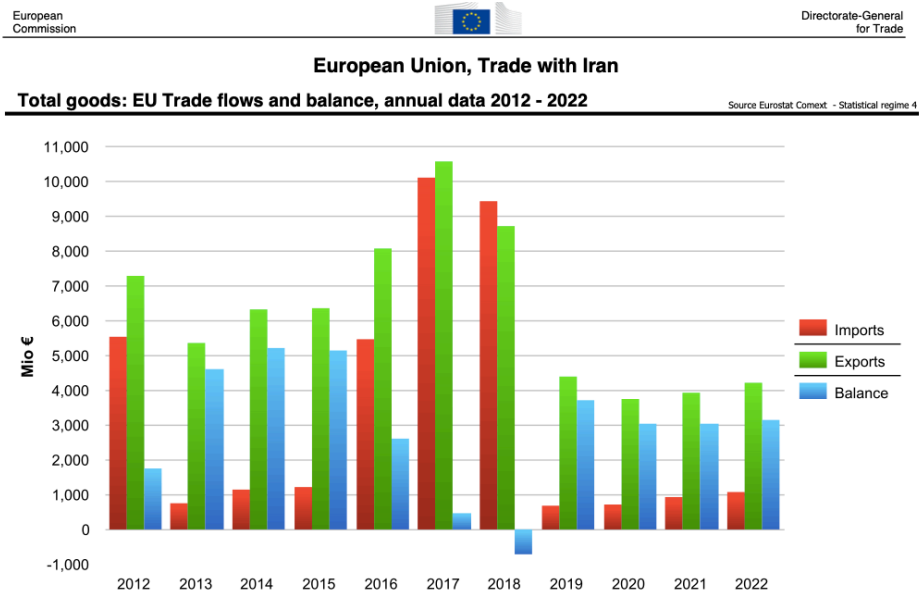
“The legislation in European businesses from the effect of the US sanctions indicates that companies should comply with European legislation rather than the American one. We believe it is

and should be up to the Europeans to decide with whom to trade. So, there is also the matter of – I would say – trade sovereignty to be protected”.

Also, the minister of Germany, France, the UK and the EU high representative showed determination to do whatever it took to protect the Europeans engaging in legal business with the Iranians. The former leader of the EU foreign relations also stated this: *“I want to make this very clear. We are talking about trade and economic relations with Iran Because this is an integral part of the JCPOA deal”* (eeas.europa.eu, 2018).

Nevertheless, the impact of the Maximum Pressure Policy by the Trump administration became noticed in the following years. According to Batmanghelidj (2021), the maximum pressure campaign reduced the trade between the EU and Iran. The data shows that the trade between the two parties is much different in times of sanctions and times with sanction relief (Batmanghelidj, 2021). Looking at the total trade of goods in the figure below, the annual data of the trade (export/import) between the European countries in total and Iran is illustrated. The graph also shows the difference between times of sanction and times with sanction relief. The difference is noticeable when looking at the amount of trade in 2015 and two years after in 2017. It proves that when the parties involved in JCPOA did agree and signed the deal, the trade between the EU and Iran increased significantly. Both in the case of export and import, it has been climbing for the benefit of both sides. The EU imports were approximately more than 1 Billion euros in 2015. It increased to more than 10 Billion euros in 2017. At the same time, the numbers in 2017 signify the amount of exports from Iran to the EU, which has been ten times bigger than in 2015. In the meantime, the exports from the EU in 2015 to Iran were around 6 Billion euros. This had an increase of 4 Billion euros to more than 10 Billion euros in 2017.

Figure 6.



Source: EU Commission

The amount of exported goods from the EU to Iran is the size of the imported goods from the EU to Iran. This means that the Iranian companies have been able to trade for more than 10 Billion euros in 2017. What is also essential to notice is that the JCPOA deal had a more positive impact on the Iranian firms because they have been able to sell more goods to the European firms than vice-versa. The above data show positive figures regarding trade between the EU and Iran. The figures also indicate that if the parties comply with the rules within the agreement, it will positively impact that front.

After 2018, when the Maximum Pressure Policy was made, the trade situation reversed dramatically. Companies from the EU zone could no longer trade with the Iranian ones as they wanted. If looking at the amount of trade in 2018, European firms imported goods for more than 9 Billion euros from Iran. At the same time, the level of EU exports to Iran was right below 9 Billion euros. Meanwhile, these numbers mean that the Iranian export is a step over its import from the EU. As shown in the figure, the scope of trade between the EU and Iran has been much lower, especially in the Iranian case, where the sanctions have been affecting more significantly. Considering Iran's exports to the EU, the figure shows that in 2019, it has been degraded from more than 9 Billion euros to under a Billion euros. At the same time, the imports from the EU lowered from approximately 9 Billion euros to 4 Billion euros. This means that Iranian companies

conceded more decline compared to the EU firms. The picture was almost the same in 2020 only because the import from the EU has also been declining. Here, the figures show the opposite of the status quo before the imposition of the Maximum Pressure Policy in 2018. The offensive economic restriction on the part of the USA meant that both the EU and Iran could not act as continuously as before, which weakened both parties, especially the Iranians.

Figure 7.

Total goods: EU Trade flows and balance Source Eurostat Comext - Statistical regime 4

Period	Imports			Exports			Balance	Total trade
	Value Mio €	% Growth	% Extra-EU	Value Mio €	% Growth	% Extra-EU	Value Mio €	Value Mio €
2012	5,515		0.3	7,260		0.4	1,745	12,775
2013	751	-86.4	0.0	5,356	-26.2	0.3	4,606	6,107
2014	1,118	48.9	0.1	6,316	17.9	0.4	5,198	7,434
2015	1,221	9.2	0.1	6,348	0.5	0.3	5,126	7,569
2016	5,461	347.2	0.3	8,060	27.0	0.4	2,599	13,521
2017	10,099	84.9	0.6	10,570	31.1	0.5	472	20,669
2018	9,425	-6.7	0.5	8,711	-17.6	0.4	-714	18,135
2019	680	-92.8	0.0	4,398	-49.5	0.2	3,718	5,077
2020	713	4.9	0.0	3,744	-14.9	0.2	3,032	4,457
2021	921	29.3	0.0	3,931	5.0	0.2	3,010	4,853
2022	1,056	14.6	0.0	4,187	6.5	0.2	3,131	5,243

% Growth: relative variation between current and previous period

% Extra-EU: imports/exports as % of all EU partners i.e. excluding trade between EU Member States

Source: EU Commission

As the numbers are shown in the figure above, the growth percentage for the trade between the EU and Iran shows a clearer picture of the increase and decrease of the amount of exports and imports between the two sides. The import percentage in 2013, before signing the JCPOA, was negative by 86.4 in growth. While in 2016, it increased by 347.2 percent, and in 2018 and 2019, it was at a negative number again by 6.7 and 92.8 percent. This shows the impact of the negative impact of the Maximum Pressure Policy. Moreover, the same patterns were seen in the case of exports to Iran but to a lesser extent. The exports to Iran in 2019 and 2020 fell by 49.5 and 14.9 percent, respectively.

Although the European Union insisted on maintaining its trade integrity with Iran and also sees its interests in trade with the Iranian counterpart within the framework of the JCPOA, the maximum pressure campaign has caused the trade relations between the two sides to fall significantly. From the neoliberalist lens, this means that both the European Union and the Iranians were willing to bend their behaviour according to the rules mentioned in the JCPOA in order to gain the most trade benefits in a win-win situation because, as the figures show, the agreement would bring

billion-dollar trade gains for both sides. On the one hand, the European Union and European companies have shown verbally and practically (according to the numbers mentioned from 2015 to 2018) that they adhered to their commitments to the JCPOA. However, they could not continue this work due to the pressure of the White House. On the other side, Iran, which came to the JCPOA to enhance economic development, as mentioned earlier, adhered to its commitments to the JCPOA for one year. This also shows that Iran had a desire for win-win cooperation with Europe, but as the trade between the two sides shows in the years after the maximum pressure, a trade win was impossible for the Iranians, and this can be the reason for their non-commitment to the JCPOA afterwards.

From the point of view of neo-realism and based on the obtained figures, there is a difference between the trade relations of the two sides before and after the Maximum Pressure Policy. Both the European Union and Iran used barrier-free trade to expand relations between each other and to promote development and economic power. On the one hand, Europe could use trade as an incentive to show its favourable position in the JCPOA and prevent the Iranians from gaining nuclear power. On the other hand, Iran, facing economic problems, could use this opportunity to develop its economic situation. Because if the trade trend between the two sides went up, it would significantly impact Iran's economy. Trade development was more important for Iran than for the European Union. On the other side of the issue, after the policies of the maximum pressure campaign from the United States, both sides had to put conservative policies on the agenda, or it can be said that they had carried out some damage control. This means the pressure caused the European Union and companies to minimize their trade with Iran for fear of Washington's restrictions. Tehran had to compromise with the existing conditions or find an alternative to its trade restrictions. This trade alternative became a reality by pursuing neighbourhood policy with countries such as Qatar and UAE (Zweiri & Abusharar, 2022, p. 68-69). Whether this reaction by the Iranians would fill the trade gap in the future is unknown. At least, it will not be possible in the short run.

Chapter 5. Discussion

The things that should be mentioned as the discussion theme in this section are the lack of complete application of the theory of neoliberalism compared to the perspective of neorealism, as well as the lack of more use of Persian or Iranian language sources. Regarding the choice of theories, the theory of neo-realism is more useful than neo-liberalism in the analysis process. This is while the Maximum Pressure Policy from the United States, which was considered one of the main parties in the JCPOA, caused the other negotiating parties in the JCPOA deal to make decisions in their policies more conservatively. Although compliance with the commitments in the mentioned laws and diplomacy in the JCPOA was emphasized by the European Union and Iran, the win-win benefits for both sides, especially the Iranians, are no longer visible as before the maximum pressure was created. However, as mentioned, the theory of neoliberalism was not absolutely unusable because the entirety of the JCPOA accorded with the neoliberal approach. Here, it may not be unreasonable that if only the views of offensive and defensive realism were used as methods and tools of analysis, a complete picture would emerge at the level of analysis because most of the policies after the maximum pressure campaign by the US can be explained in this way. In addition, using Persian-language sources or sources close to Iran could have produced a more complete analysis. However, the effort to comply with the neutrality rule during this project has been sufficient. For example, adding the Iranian side's opinion about why Iran and Europe put such approaches on the agenda to advance the JCPOA negotiations.

Chapter 6. Conclusion

In this conclusion, the main purpose of the project was based on answering the scientific research question of the project. Since the main topic of this project was the JCPOA agreement and its unsuccessful nature, the general assumption from the beginning was what factors would cause the cooperation between the EU and Iran not to continue. For this reason, after the initial observations, it was believed that the protectionist policies of President Trump's administration and the creation of a maximum pressure campaign played a significant role in the failure of the JCPOA agreement. For this reason, the research question of this project focused on to what extent

the Maximum Pressure Policy impacted the JCPOA agreement between the European Union and Iran.

Therefore, as a conclusion, the INSTEX mechanism was created by the European Union as an immediate solution and an economic alternative to the JCPOA. The purpose of this solution was to show the Iranian side a behaviour to convince them to stick to their commitments so that they can prevent the main goal of the JCPOA, which is to prevent the nuclearization of the Iranian state. On the other side, the Iranian government hoped to find a solution or perhaps even the return of the United States to the JCPOA. They continued their pre-JCPOA behaviour for a year without any movement until they could reach an agreement with the European and perhaps the American side. However, the lack of effectiveness of INSTEX caused both Europe and Iran to put different policies on the agenda.

Secondly, the INSTEX mechanism was supposed to neutralize the sanctions, but the maximum pressure campaign, economic sanctions and the resulting impact caused them to affect both Europe and Iran. Sanctions made Europe unable to make autonomous decisions, and European companies were forced to stop interacting with Iran in order to avoid further sanctions. This meant that Europe's non-interaction with Iran would significantly shrink Iran's economy and prevent Iranians from selling oil. Therefore, these factors caused Europe not to be able to meet Tehran's expectations and to rely only on maximum diplomacy, and Iran to change its political approach completely. The Maximum Pressure Policy led Iran to turn to economic resistance policies to reduce the loss or at least maintain the existing position.

Third, as mentioned, the impact of sanctions and the Maximum Pressure Policy were influential on the behaviour of the remaining parties to the JCPOA, including the European Union and Iran. Europe's interests were in Iran staying in the JCPOA. European countries were trying to meet Iran's needs through economic incentives. For this reason, these countries emphasized the continuation of diplomatic relations. They even demanded the creation of a dispute resolution mechanism. With these conditions, Tehran, on the other hand, adopted a counter-offensive policy by increasing its nuclear activities to a certain extent to use them to pressure and create a balance of power. This was done to increase the volume of uranium enrichment and heavy water, which was against the JCPOA treaty. This lack of commitment on the part of the Iranians was definitely not in Europe's interests because it endangered Europe's security.

Fourth, the findings show that the maximum pressure campaign from the White House aimed to weaken the trade between Europe and Iran has been quite effective. This is while the extent of trade between the EU and Iran in the period before and after the Maximum Pressure Policy has a difference of up to 10 billion euros. In this, Tehran has been more affected. This means that the effects of the pressure policy by the US on them were more significant than on the European side. At the same time, it should be considered that the revival of the JCPOA in the trade field has been entirely beneficial to both the European and Iranian sides. Therefore, the reaction of the Europeans based on the trade process with Iran was a continuous demand for the continuation of the negotiations. But the Iranians, who suffered more losses from the Maximum Pressure Policy, had to fill their trade gaps by trading with their neighbors such as Qatar.

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