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## Issue Brief

# Challenges in Implementing JCPOA after the US Withdrawal

*S. Samuel C. Rajiv*

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## Summary

President Donald Trump's decision on May 8 to 'withdraw' from the Iran nuclear deal has manufactured complications for an agreement that took over 12 years to negotiate. The European Union has stated that it will remain committed to the agreement 'as long as Iran continues to implement its nuclear related commitments' as verified by the IAEA. President Hassan Rouhani in his initial reaction to Trump's announcement stated that the JCPOA involves Iran and five other countries 'from this moment'. This Brief examines the likely implications of these developments.

President Donald Trump announced on May 8 that the United States ‘will withdraw from the Iran nuclear deal’.<sup>1</sup> Trump went on to note that the US will be ‘reinstating nuclear sanctions against the Iranian regime’. These sanctions, which were waived as part of the Joint Comprehensive Plan of Action (JCPOA) in return for significant Iranian commitments on its nuclear programme, were imposed by successive administrations as part of a ‘dual-track’ policy of ‘applying pressure in pursuit of a constructive engagement and a negotiated solution’.<sup>2</sup>

The JCPOA was the result of more than 12 years of negotiations, which initially began with the European Union-3 (EU-3; made up of France, Germany, and the United Kingdom) in 2003 and later expanded to include the other members of the United Nations Security Council (UNSC) after Iranian nuclear concerns were referred to the UNSC in February 2006.

In the aftermath of Trump’s statement, the EU High Representative has stated that

‘As long as Iran continues to implement its nuclear related commitments, as it has been doing so far and has been confirmed by the International Atomic Energy Agency [IAEA] in 10 consecutive reports, the EU will remain committed to the continued full and effective implementation of the nuclear deal’.<sup>3</sup>

On his part, President Hassan Rouhani noted during a sombre televised address that Iran has ‘lived up’ to its JCPOA commitments as verified by the IAEA and that the White House’s decision was reflective of the ‘unfaithfulness’ of the Trump administration to its international commitments. He further stated that ‘from this moment, the JCPOA is between Iran and five countries’.<sup>4</sup> His Foreign Minister Javad Zarif has visited Beijing, Moscow and Brussels to ‘construct a clear future design’ for the agreement.<sup>5</sup>

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

<sup>2</sup> ‘Joint Statement of Secretary Geithner and Secretary Clinton On Iran Sanctions’, June 23, 2011, at <https://www.treasury.gov/press-center/press-releases/Pages/tg1218.aspx>

<sup>3</sup> ‘Declaration by the High Representative on behalf of the EU following US President Trump’s announcement on the Iran nuclear deal (JCPOA)’, May 8, 2018, at <http://www.consilium.europa.eu/en/press/press-releases/2018/05/09/declaration-by-the-high-representative-on-behalf-of-the-eu-following-us-president-trump-s-announcement-on-the-iran-nuclear-deal-jcpoa/>

<sup>4</sup> ‘JCPOA lost 1 out of 5+1’, May 9, 2018, at <http://president.ir/en/104282>

<sup>5</sup> ‘Iran’s top diplomat hopeful of forging ‘clear future’ for nuclear deal after talks in China’, May 13, 2018, at <http://www.scmp.com/news/china/diplomacy-defence/article/2145936/irans-top-diplomat-hopeful-forging-clear-future-nuclear>

## Background and Context

### ***INARA Certification***

The Iran Nuclear Agreement Review Act (INARA), which was signed into law by President Barack Obama on May 22, 2015, requires the US President to certify to Congress every 90 days (after Implementation Day, which was January 16, 2016) that Iran was implementing the deal; was not in material breach of the JCPOA; was not engaging in covert nuclear activities; and

‘providing continued sanctions waivers as per JCPOA is appropriate and proportionate to the specific and verifiable measures taken by Iran with respect to terminating its illicit nuclear programme and vital to the national security interests of the United States’.<sup>6</sup>

Trump gave such certifications twice on April 18, 2017 and July 17, 2017 after assuming the presidency, albeit reluctantly on account of advice to do so by senior members of his Cabinet such as then Secretary of State Rex Tillerson. It was only after a mid-April 2017 National Security Council (NSC)-led inter-agency review of the JCPOA was undertaken that Trump refused to provide such a certification in October 2017. On that occasion, Trump had stated that Iran was in ‘material breach’ of the JCPOA provisions on two occasions and that the agreement was not contributing to regional peace and stability.<sup>7</sup> While it is true that Iran briefly exceeded the limits on the amount of heavy water it can produce twice in 2016, that did not, however, prevent Trump from certifying the deal twice in 2017 as noted above (in April and July). Further, the JCPOA notes in the first paragraph of its preface that the ‘full implementation of this JCPOA will contribute to regional and international peace and security’.<sup>8</sup> Trump and his officials therefore laid the blame in October 2017 for lack of regional peace and stability on the JCPOA, which was then only in its second year of implementation.

Trump’s October 2017 de-certification triggered a 60-day window for the US Congress to re-impose sanctions and pass expedited legislation in this regard (in tune with INARA). But the Congress did not do so, with some reports noting that Trump himself was not in favour of recommending such a course of action as that

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<sup>6</sup> ‘Public LAW 114-17’, May 22, 2015, at <https://www.congress.gov/114/plaws/publ17/PLAW-114publ17.pdf>

<sup>7</sup> ‘Remarks by President Trump on Iran Strategy’, October 13, 2018, at <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-iran-strategy/>

<sup>8</sup> For an analysis, see S. Samuel C. Rajiv, ‘The Trump Challenge to the JCPOA’, October 24, 2017, at [https://idsa.in/idsacomments/the-trump-challenge-to-the-jcpoa\\_sscrajiv\\_241017](https://idsa.in/idsacomments/the-trump-challenge-to-the-jcpoa_sscrajiv_241017)

would have led to Iran altogether walking away from the deal.<sup>9</sup> The IAEA continued to report that Iran was fulfilling its obligations under the JCPOA. Meanwhile, despite Trump's de-certification (which was as per INARA, a domestic US legislation), he still had to provide periodic waivers from US sanctions laws that had not been removed in the aftermath of the JCPOA.

### ***Sanctions Waivers***

The US commitments under the JCPOA involved periodic 'secondary' sanctions waivers (those targeted at non-US persons/entities conducting financial transactions with Iranian entities/persons) from the crippling provisions of US domestic legislation (including preventing access to the US financial system, and huge fines for ignoring such provisions, as BNP Paribas and other banks learnt to their disadvantage). These provisions affected Iran's oil sales and financial transactions for such sales with the Central Bank of Iran (CBI). US 'primary' sanctions (which barred US citizens/entities from doing business with Iran) and human rights-related or terrorism-related 'secondary' sanctions designations continued to be in place despite the JCPOA, which only provided relief from nuclear-related designations.

The CBI, for instance, was the subject of sanctions in the aftermath of the National Defense Authorisation Act (NDAA 2012) in a move to constrict Iran's sources of funding for its alleged weapons of mass destruction (WMD) activities while terrorism-related designations date back to 1984. The CBI was targeted in the aftermath of UNSC Resolution (UNSCR) 1929, which noted in its preamble 'the potential connection between Iran's revenues derived from its energy sector and the funding of Iran's proliferation-sensitive nuclear activities ...'<sup>10</sup> Stringent economic restrictions on US persons were put in place in the aftermath of the Bill Clinton administration declaring a 'State of Emergency' with respect to Iran in 1995 (renewed every year since then), which triggered the provisions of the International Emergency Economic Powers Act (IEEPA).

On January 12, 2018, Trump gave waivers from sanctions relating to doing business with Iranian shipping and ship-building companies (as per the Iran Freedom and

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<sup>9</sup> Anne Gearan and Karoun Demirjian, 'Trump plans to declare that Iran nuclear deal is not in the national interest', October 5, 2017, at [https://www.washingtonpost.com/politics/trump-plans-to-declare-that-iran-nuclear-deal-is-not-in-the-national-interest/2017/10/05/825c916e-a9e3-11e7-b3aa-c0e2e1d41e38\\_story.html?noredirect=on&utm\\_term=.429b2ee2d7d9](https://www.washingtonpost.com/politics/trump-plans-to-declare-that-iran-nuclear-deal-is-not-in-the-national-interest/2017/10/05/825c916e-a9e3-11e7-b3aa-c0e2e1d41e38_story.html?noredirect=on&utm_term=.429b2ee2d7d9); Zeeshan Aleem, 'Trump punted the Iran deal to Congress; Congress just punted it back', December 12, 2017, at <https://www.vox.com/policy-and-politics/2017/12/12/16767908/trump-sanctions-iran-deal-congress>

<sup>10</sup> Text of Resolution 1929 is available at [https://www.iaea.org/sites/default/files/unsc\\_res1929-2010.pdf](https://www.iaea.org/sites/default/files/unsc_res1929-2010.pdf)

Counter-proliferation Act – IFCA 2012); significant transactions with the CBI pertaining to oil purchases (Section 1245 of the NDAA 2012); and, Section 504 of the Iran Threat Reduction and Syria Human Rights Act (ITRSRHA) 2012 (which went into effect in February 2013) relating to the repatriation of Iran’s money by its oil importers.<sup>11</sup> Given that each waiver lasts for 180 or 120 days, Trump challenged the EU-3 to ‘fix the disastrous flaws’ of the Iran nuclear deal, ahead of the next waiver date for some of the sanctions that fell on May 12 (specifically Sec 1245 of NDAA 2012), failing which he threatened to ‘withdraw from the deal immediately’.<sup>12</sup>

***Trump’s Concerns: Ballistic missiles, JCPOA sunset clauses, IAEA inspections***

Trump’s January 12 statement generated intense consultations with the EU-3 to come to a common understanding on three main issues of concern highlighted by the US President – Iran’s ballistic missile capabilities; JCPOA sunset clauses; and ‘insufficient enforcement’ relating to access to IAEA inspectors.<sup>13</sup> Iran’s ballistic missile launches have been a subject of much angst for the Trump administration. In the aftermath of Iran testing a missile on January 29, 2017 – its first missile launch after Trump took over, the administration passed sanctions against 25 individuals connected to the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) and its missile programme.

In its January 12, 2018 statement, Trump insisted that

‘Legislation must explicitly state in United States law—for the first time—that long-range missile and nuclear weapons programs are inseparable, and that Iran’s development and testing of missiles should be subject to severe sanctions’.<sup>14</sup>

While some launches by Iran like the July 2017 launch of the Simorgh space launch vehicle(SLV) was termed a ‘catastrophic failure’ by an official of the US Strategic Command, another official belonging to the US Missile Defense Agency (MDA) was reported as stating that such SLV launches ‘could shorten the pathway to an ICBM’.<sup>15</sup> Conservative think tanks like the Foundation for Defense of Democracies

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<sup>11</sup> See Kenneth Katzman, ‘Iran Sanctions’, April 18, 2018, at <https://fas.org/sgp/crs/mideast/RS20871.pdf>

<sup>12</sup> ‘Statement by the President on the Iran Nuclear Deal’, January 12, 2018, at <https://www.whitehouse.gov/briefings-statements/statement-president-iran-nuclear-deal/>

<sup>13</sup> Ibid; See also ‘Remarks by President Trump on Iran Strategy’, October 13, 2018, n. 7.

<sup>14</sup> ‘Statement by the President on the Iran Nuclear Deal’, January 12, 2018, n. 12.

<sup>15</sup> Lucas Tomlinson, ‘Iran rocket suffered “catastrophic failure”, likely blew up, US official says’, July 28, 2017, at <http://www.foxnews.com/world/2017/07/28/iran-rocket-suffered-catastrophic-failure-likelyblew-up-us-official-says.html>; See also ‘US says Iran rocket test breaches UN resolution’, July 27, 2017, at

(FDD), whose staff had been at the forefront of efforts advocating sanctions on Iran's energy sector and its oil exports, have highlighted Iran's launch of 10 medium range ballistic missiles (MRBMs) after the signing of the JCPOA and till at least February 2017.<sup>16</sup>

The P5+1, in a statement listed as Annex B of UNSCR 2231 passed on July 14, 2015 (which terminated UNSC sanctions and recognized the JCPOA),

'Called upon Iran not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technologies, until the date eight years after Adoption Day or until the date on which the IAEA submits a report confirming the Broader Conclusion, whichever is earlier.'<sup>17</sup>

Most analysts note that the statement does not explicitly ban Iran from undertaking such activities, which JCPOA opponents allege is a big lacuna. Among the P5+1, France, Germany, the US, and the UK (excluding Russia and China) have a common position that such launches are 'inconsistent' with UNSCR 2231.<sup>18</sup> Iran (and Russian officials) insist that such tests are an essential part of its security profile, and that the JCPOA contains restrictions regarding only its nuclear programme. Further, Iran highlights the fact that it has pledged not to develop nuclear weapons as part of the JCPOA and undertook onerous commitments as part of the deal that are over and above those being adhered to by other NPT signatories. For instance, the JCPOA prohibits Iran from indulging in machining uranium or plutonium for explosive purposes, while the NPT does not require its member states to do so.

As for the sunset clauses which irked Trump, JCPOA Termination Day is 10 years after Adoption Day (which was October 18, 2015). Iran is allowed to manufacture IR-6 and IR-8 centrifuges (without rotors) after 2023 while complete IR-6 and IR-8 centrifuges can be produced after 2025. The limits on enriching UF<sub>6</sub> beyond 3.76 per cent or undertake spent fuel reprocessing, expire after 15 years (2030) while

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<https://www.reuters.com/article/us-iran-satellite/u-s-says-iran-rocket-test-breaches-u-n-resolution-idUSKBN1AC1YY>

<sup>16</sup> Behnam Ben Talebu, 'Iranian Ballistic Missile Tests Since the Nuclear Deal – 2.0', January 25, 2018, at <http://www.defenddemocracy.org/content/uploads/documents/IranBallisticMissileResearchMemo.pdf>. After February 2017, they do not record any MRBM launch by Iran.

<sup>17</sup> 'See 'S/RES/2231(2015),' July 20, 2015, p. 99, at <http://unscr.com/en/resolutions/doc/2231>

<sup>18</sup> See for instance the statement put out by the four in the aftermath of the 'failed' launch of the *Simorgh* in July 2017. US State Department, 'Iran's Space Launch Vehicle Inconsistent with UNSCR 2231: Joint Statement by France, Germany, the United Kingdom and United States', July 28, 2017, at <https://www.state.gov/r/pa/prs/ps/2017/07/272934.htm>

surveillance on centrifuge rotors continues for 20 years (2035) and surveillance on uranium ore concentrate continues for 25 years (2040).<sup>19</sup>

Trump insists that these limitations are not enough and that Iran can enrich uranium at a faster pace after 2023 — given that it is allowed to manufacture more advanced centrifuges, potentially giving it access to larger quantities of bomb-grade material. Trump and Israeli Prime Minister Benjamin Netanyahu charge that Iran will get closer to the bomb if it scrupulously follows the terms of the JCPOA. They do not lay much store on the fact that Iran is provisionally applying the Additional Protocol (AP) since January 2016, and on the fact that the enhanced IAEA monitoring continues beyond the terms of the JCPOA, as long as Iran is a member of the NPT. IAEA Director General Yukiya Amano's statement at a lecture at Harvard in November 2017 that Iran was 'subject to the world's most robust nuclear verification regime' did not seem to convince either Trump or Netanyahu.<sup>20</sup>

As for IAEA inspecting suspect sites, Trump and JCPOA opponents insist that the provisions of the deal allow Iran to cover up its illegal activities and delay access to IAEA inspectors. As per the JCPOA, Iran has to necessarily provide access within 24 days of an initial IAEA request. Amano on his part notes that the distinction between the IAEA inspecting civilian or military sites is a false one and that the IAEA has the mandate under the AP to inspect any site where suspect nuclear-material related activity takes place under the provision of 'complementary access'.<sup>21</sup>

## Looking Ahead

Iran might not make use of the dispute resolution mechanism of the JCPOA given that Rouhani has already stated in his initial reaction to Trump's announcement that the JCPOA involves Iran and five other countries 'from this moment'. The dispute resolution mechanism involves the Joint Commission and a three-member Advisory Board which could issue a 'non-binding' decision in a process that could take 35 days. If this decision is not acceptable to Iran, it could approach the UNSC, where it will lay the door open for automatic 'snap-back' of UNSC sanctions given that the UNSC has to necessarily vote in favour of a resolution granting continued sanctions relief — as per JCPOA and UNSCR 2231 of July 14, 2015, a resolution which will surely be vetoed by the US.

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<sup>19</sup> Text of the JCPOA is at Annex A, of UNSCR 2231, n. 17.

<sup>20</sup> See 'Director General's Speech on Iran, the JCPOA and the IAEA', November 14, 2017, at <https://www.iaea.org/newscenter/statements/director-generals-speech-on-iran-the-jcpoa-and-the-iaea>

<sup>21</sup> Ibid.

The EU has pledged to continue to abide by its JCPOA commitments and to uphold the removal of Iran's nuclear-related sanctions. EU nations like Italy and Spain are importing on the same level as prior to the EU ban on Iranian oil (which went into effect in July 2012) and absence of EU regulations denying insurance to ships carrying Iranian oil (which severely impacted Iran oil trade in the past given that most insurance providers were based in Europe and especially London) will constrain the bite of US secondary sanctions on Iran's oil exports in the near term. However, the Office of Foreign Assets Control (OFAC) has indicated that sanctions on the provision of such services — as well as on provision of centralised financial messaging systems to Iranian financial institutions, specifically the Central Bank of Iran's (CBI), will be re-imposed after November 4, 2018.<sup>22</sup>

The access of Iranian banks on the EU sanctions list to SWIFT was cut off on March 17, 2012 and was restored after JCPOA Implementation Day. Sanctions on centralised financial messaging systems like SWIFT (headquartered in Brussels) were prescribed by ITRSHRA, introduced in the US House of Representatives in May 2011 as the Iran Threat Reduction Act. Given that ITRSHRA was eventually signed into law by Obama in August 2012, this does indicate the zeal with which the EU came on board regarding the imposition of such restrictive measures.

While analysts have pointed out the complications involved in the Trump administration re-instating such sanctions, given extremely limited international support for such a course of action, it remains to be seen how the EU deals with such looming icebergs that could capsize the JCPOA.<sup>23</sup> While Trump's unilateral decision has strained trans-Atlantic relations, analysts have pointed out that the EU can potentially use counter-measures like 'Blocking Regulations' to protect the business interests of at least EU-based firms.<sup>24</sup> Others have noted that such EU threats are 'empty' as access to the US financial system is of paramount importance

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<sup>22</sup> See 'FAQ's', May 8, 2018, at [https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

<sup>23</sup> See Peter Harell, 'The Challenge of Reinstating Sanctions against Iran', *Foreign Affairs*, May 4, 2018, at <https://www.foreignaffairs.com/articles/iran/2018-05-04/challenge-reinstating-sanctions-against-iran>

<sup>24</sup> The text of the November 22, 1996 regulation is available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31996R2271:EN:HTML>. The 1996 EU Blocking Regulation was introduced in the aftermath of a dispute between the US and EU at the WTO (which was subsequently resolved politically rather than legally) relating to the application of US extra-territorial sanctions on EU firms/individuals involved in the buying of abandoned American real estate property in Cuba. The EU from 2010 onwards began to apply co-equal sanctions pressure on Iran, as it was on the same page as its trans-Atlantic ally on the need to build pressure on Iran to make it come to the negotiating table. In the current scenario, it remains to be seen if they make a political statement by adding to the Annex of that Regulation American laws whose sanctions provisions have not been waived by the Trump administration.

to EU businesses, and they would even be willing to pay fines if required to the EU for not subscribing to such regulations rather than lose US business.<sup>25</sup> Further, it is pertinent to note that Article 5 of the 1996 EU ‘Blocking Regulation’ requires EU persons ‘to comply fully or partially’ with extra-territorial laws ‘to the extent that non-compliance would seriously damage their interests or those of the Community’.<sup>26</sup> At the same time though, given that the JCPOA is the result of active coordination and involvement of the EU, which expended huge diplomatic capital in achieving the landmark deal, Brussels can be expected to stand up to Washington and limit the damage the re-imposition of US sanctions could cause EU businesses.

An important corollary of Trump’s decision will be an increase in the politicisation of IAEA safeguards implementation with respect to Iran. There will be pressure on the IAEA to re-open its investigations into the possible military dimensions (PMD) issues, in the light of Trump’s May 8 statement and Prime Minister Netanyahu’s charges as laid out on April 30 relating to the Iranian nuclear archives. The IAEA had submitted its final assessment on PMD issues in December 2015, ahead of JCPOA Implementation Day, wherein it noted that there was ‘no credible indication of activities relating to a nuclear explosive device in a coordinated manner after 2003 and definitely not so beyond 2009’.<sup>27</sup> Analysts critical of the JCPOA like former IAEA Deputy Director General (DDG) Ollie Heinonen, again, not to be surprised, writing for the FDD, have charged that the closure of the PMD file was politically motivated as the IAEA had to give such a finding failing which the JCPOA would not have begun to be implemented.<sup>28</sup>

### Implications for India

As for implications for oil-importing nations like India, the US Treasury Department, in the aftermath of Trump’s decision not to grant sanctions waivers, stated that nations importing Iranian oil will be allowed 180 days (till November 4, 2018) to

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<sup>25</sup> Richard Goldberg, ‘Europe’s Sanctions-Blocking Threats Are Empty’, February 20, 2018, at <http://foreignpolicy.com/2018/02/20/europe-s-iran-deal-threats-are-empty-trump-iran-eu/>; Esfandyar Batmanghelidj, ‘Can Blocking Regulations Help Europe Protect Its Iran Business from Trump?’ February 13, 2018, at <https://www.bourseandbazaar.com/articles/2018/2/9/can-blocking-regulations-help-europe-protect-its-iran-business-from-trump>

<sup>26</sup> EU Regulation, n. 24.

<sup>27</sup> See ‘GOV/2015/68’, December 2, 2015, at <https://www.iaea.org/sites/default/files/gov-2015-68.pdf>

<sup>28</sup> See Ollie Heinonen, ‘The IAEA’s Right and Obligation to Inspect Military Facilities in Iran’, April 2, 2018, at <http://www.defenddemocracy.org/media-hit/olli-heinonen1-the-iaeas-right-and-obligation-to-inspect-military-facilities-in-iran/>

achieve ‘significant reductions’ in their oil purchases (generally defined to be 18-20 per cent reductions in terms of price and volume), failing which they will be the target of Section 1245 of NDAA 2012.<sup>29</sup> Other sanctions provisions (like Sec 504 of ITRSHRA) mandate that funds owed to Iran as a result of bilateral trade in goods and services be ‘credited to an account located in the country with primary jurisdiction over the foreign financial institution’. Such provisions had led to alternate payment mechanisms and accumulation of Iranian oil money with Indian firms, and severely constrained Iran’s foreign exchange reserves.

Going forward, India will have to make greater use of Euro-denominated transactions for its oil trade to mitigate the impact of the extra-territorial application of US sanctions provisions. Mechanisms like the Asian Clearing Union (ACU) will have to be revitalised, in tune with the decision taken by India and Iran during the visit of President Rouhani in February 2018 to constitute a Joint Committee to establish functional clearing channels as well as examine Rupee-Rial arrangements.<sup>30</sup> It is important to note that the ACU clearing mechanism suffered significantly after 2010 not on account of US sanctions provisions but due to EU regulations. One of the provisions of the EU Council Resolution of July 26, 2010 required prior authorisation for payments to listed Iranian banking entities. The then Indian Minister of State for Finance informed the Lok Sabha in March 2011 that the ACU, ‘being a multi-lateral net clearing system, did not facilitate such authorisation’. The DuestcheBundes Bank (DDB), which was channelling ACU payments, declined to do so unless such authorisation was provided that those payments related to oil. This was done to ensure that Iran was not using such oil revenues to fund proliferation-related activities, as was being alleged by the US and as flagged by UNSCR 1929.

Again, as with the SWIFT saga, such regulations were no doubt passed in the aftermath of US laws like Comprehensive Iran Sanctions and Divestment Act (CISADA 2010) — which began life as Iran Refined Petroleum Sanctions Act in April 2009, and UNSCR 1929 of June 9, 2010. Given the different political contexts then and now, it remains to be seen to what extent the EU will work along with India and Iran to insulate such clearing mechanisms from US sanctions pressure.

As for Chahbahar, Phase I of the port was inaugurated in December 2017. The port is being built by Khatam-al Anbia, a company that is affiliated to the IRGC. While the IRGC has not been designated a foreign terrorist organization (FTO) by the US

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<sup>29</sup> ‘FAQ’s’, n. 22.

<sup>30</sup> MEA, ‘India-Iran Joint Statement during Visit of the President of Iran to India’, February 17, 2018, at [http://mea.gov.in/bilateral-documents.htm?dtl/29495/IndiaIran\\_Joint\\_Statement\\_during\\_Visit\\_of\\_the\\_President\\_of\\_Iran\\_to\\_India\\_February\\_17\\_2018](http://mea.gov.in/bilateral-documents.htm?dtl/29495/IndiaIran_Joint_Statement_during_Visit_of_the_President_of_Iran_to_India_February_17_2018)

Department of State, it is under various human-rights-related, WMD-related and counter-terrorism-related designations by the OFAC. India Ports Global Limited (IPGL), a joint venture (JV) between Jawaharlal Nehru Port Trust (JNPT) and Kandla Port Trust (KPT), is expected to take over the operations of two terminals of Shahid Beheshti port at Chahbahar in mid-2019.

Sanctions against Iran's shipping, ship-building sector and port operators are prescribed as per provisions of IFCA 2012. However, it is pertinent to note that exception from such provisions is provided for 'Afghanistan Reconstruction'.<sup>31</sup> Given that the main purpose of India's involvement in Chahbahar is to provide developmental assistance to Afghanistan — and given the positive statements by the US State Department and military officials relating to India's developmental assistance to Afghanistan, IPGL could be exempt from the negative impact of such extra-territorial sanctions pertaining to operation of ports inside Iran.

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<sup>31</sup> Text of IFCA is available at <https://www.state.gov/documents/organization/204023.pdf>

## About the Authors



**S. Samuel C. Rajiv** is Associate Fellow at the Institute for Defence Studies & Analyses, New Delhi.

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