Syllabus subtopic: Effect of policies and politics of developed and developing countries on India’s interests, Indian diaspora.

News: Iran has taken further steps away from its crumbling nuclear deal with world powers by announcing it is doubling the number of its advanced centrifuges, calling the move a direct result of the United States’ withdrawal from the agreement last year.

Prelims focus: Joint Comprehensive Plan of Action (JCPOA) – objectives

Mains focus: US withdrawal from the deal, global implications and the need of the hour.

Iran’s objective

- By doing so, Iran is trying to increase the pressure on Britain, France and Germany in particular to find some arrangement that will allow them to sell the oil they were buying when Iran was not under sanctions. That requires some level of US support to waive sanctions against European firms by the United States. So far, the US has no agreed to do that.

- Iran is now operating 60 IR-6 advanced centrifuges. Such a centrifuge can produce enriched uranium 10 times as fast as the first-generation IR-1s allowed under the accord.

- By starting up these advanced centrifuges, Iran further cuts into the one year that experts estimate Tehran would need to have enough material for building a nuclear weapon – if it chose to pursue one.

About Iran nuclear deal?

- Iran agreed to rein in its nuclear programme in a 2015 deal struck with the US, UK, Russia, China, France and Germany.
- Under the Joint Comprehensive Plan of Action (JCPOA) Tehran agreed to significantly cut its stores of centrifuges, enriched uranium and heavy-water, all key components for nuclear weapons.
- The JCPOA established the Joint Commission, with the negotiating parties all represented, to monitor implementation of the agreement.

Why did Iran agree to the deal?

It had been hit with devastating economic sanctions by the United Nations, United States and
the European Union that are estimated to have cost it tens of billions of pounds a year in lost oil export revenues. Billions in overseas assets had also been frozen.

Why did US pull out of the deal?

Trump and opponents to the deal say it is flawed because it gives Iran access to billions of dollars but does not address Iran’s support for groups the U.S. considers terrorists, like Hamas and Hezbollah. They note it also doesn’t curb Iran’s development of ballistic missiles and that the deal phases out by 2030. They say Iran has lied about its nuclear program in the past.

Impact of escalated tensions between Iran and the US:

1. Iran can make things difficult for the U.S. in Afghanistan as also in Iraq and Syria.
2. The U.S.’s ability to work with Russia in Syria or with China regarding North Korea will also be impacted.
3. And sooner or later, questions may be asked in Iran about why it should continue with other restrictions and inspections that it accepted under the JCPOA, which would have far-reaching implications for the global nuclear architecture.
4. Coming after the rejection of the Trans-Pacific Partnership (TPP), the Paris climate change accord and the North American Free Trade Agreement, President’s decision further diminishes U.S. credibility.

Implications for India:

Oil and Gas: The impact on world oil prices will be the immediately visible impact of the U.S. decision. Iran is presently India’s third biggest supplier (after Iraq and Saudi Arabia), and any increase in prices will hit both inflation levels as well as the Indian rupee.

It would impact the development of Chabahar port.

International North–South Transport Corridor:

New U.S. sanctions will affect these plans, especially if any of the countries along the route or banking and insurance companies dealing with the INSTC plan also decide to adhere to U.S. restrictions on trade with Iran.

Shanghai Cooperation Organisation: China may consider inducting Iran into the SCO. If the proposal is accepted by the SCO, which is led by China and Russia, India will become a member of a bloc that will be seen as anti-American, and will run counter to some of the government’s other initiatives like the Indo-Pacific quadrilateral with the U.S., Australia and Japan.

Rules-based order: By walking out of the JCPOA, the U.S. government has overturned the
precept that such international agreements are made by “States” not just with prevailing governments or regimes.

What role does the U.N. Security Council play in this crisis?

The Security Council adopted a resolution in 2015 that endorsed the nuclear agreement and ended U.N. sanctions against Iran. The resolution, 2231, includes what is known as a “snapback” provision that could reinstate those sanctions if other parties to the agreement complained that Iran was cheating. Such a step would likely doom the agreement.

Global Implications:

1. Down trends in global economy.
2. Fuel prices would reach high points.
3. Iran may block Strait of Hormuz which is a strategic choke point which in turn would affect global trade.
4. Giant economy like India, China and Russia will suffer.
5. US has cancelled airlines from US to India because they pass over Iran which would affect airspace industry.