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With a concentration in European Union Policy Studies  
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# The EU and Iranian Trade Relationship: How Their Bilateral Trade Agreements Lead to Changes in Nuclear Nonproliferation

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## Abstract

The last decade has represented a turning point in nuclear nonproliferation within the international community. The creation of the Joint Comprehensive Plan of Action (JCPOA) has bound actors to respect international agreements and uses trade and economic sanctions as a guiding principle. This paper argues that the threat of nuclear energy (and/or acquiring nuclear weapons) in Iran decreased if trade between the European Union and Iran increases. This paper considers the primary sources on trade statistics seen between the EU and Iran as well as the scholarly work that has been written about the complexities of this trade relationship. The findings of this paper will contribute to the evolving discussion of the effects of trade on nonproliferation and the role of the EU in a global setting. It will also give increased understanding to the evolution of the bilateral trade agreements between the EU and Iran and how there have been a multitude of economic benefits to all countries involved. The evidence in this paper suggests the hypothesis to be true and there is an inverse relationship between trade and nonproliferation. However, more research is required to reach a complete explanation for why the trade relationships between the EU and Iran effects nonproliferation.

Written for Topic in Foreign Policy and International Security (Professor Adérito R. Vicente)  
Presented at the JMU – MWP 13<sup>th</sup> Graduate Symposium,  
7 April 2020.

## **Introduction**

The research question that this paper will examine is how EU trade relations with Iran resulted in positive outcomes in the field of nuclear energy and non-proliferation, over a ten-year span (2009 - 2019). This involves looking at the critical juncture points over this ten-year period and identifying which (if any) had the largest impacts on non-proliferation talks between the EU and Iran. This paper gives a brief historical background of Iran's nonproliferation and trade progress throughout the years to establish how international actors were able to arrive at the Joint Comprehensive Plan of Action (JCPOA). This is followed by an introduction to the research question that is being examined as well as the stated hypothesis that the paper will look at. This hypothesis states that the threat of nuclear energy (and/or acquiring nuclear weapons) in Iran decreased if trade between the European Union and Iran increases.

Then, there is an explanation of the methodology for how the research was conducted and why this is an important research question. This methodology focuses on process tracing and the use of primary and secondary sources to analyze the bilateral trade relationship of these actors. Finally, there is the supporting evidence that was found in this paper through various qualitative methods and the conclusion. The supporting evidence comes from an analysis of a variety of scholarly articles, EU official trade documents, news reports, and other methods of process tracing. The evidence finds that trade plays a critical role in nonproliferation discussion and can guide the agreements in place. This is because it was seen that the more trade done between the EU and Iran led to a decrease in the threat of Iranian nuclear energy.

## **Historical Background**

### *Historical Overview*

The need for the JCPOA came after it was discovered that Tehran could produce both weapons-grade highly enriched uranium (HEU) and plutonium—the two types of fissile material used in nuclear weapons (Katzman, 7). The discovery of an Iranian nuclear program came after Iran publicly announced that it had stopped the nuclear weapons program and all nuclear activity in the country was entirely peaceful. This enhanced the view held by the world that Iran was not to be trusted and the international community felt the need to step in.

Nonproliferation is defined as the efforts to prevent the further spread of nuclear weapons. This concept was substantiated with the creation of the Nuclear Nonproliferation treaty (NPT) that was enforced in 1970 and currently 190 states are a part of. This is a multilateral treaty aimed at limiting the spread of nuclear weapons including three elements: (1) non-proliferation, (2) disarmament, and (3) peaceful use of nuclear energy. These elements constitute a “grand bargain” between the five nuclear weapon states and the non-nuclear weapon states (“Treaty on the Non-Proliferation”). The five nuclear weapon states are made up of the United Kingdom (UK), France, Russia, China, and the United States (US).

### *Build Up of Tensions Prior to the JCPOA*

Throughout the 1970’s, Iran increased their influence in nuclear technology and invested into many contracts with foreign suppliers. This nuclear progress came to a screeching halt after the 1979 Iranian Revolution which almost resulted in the disintegration of Iran’s nuclear program. Throughout the period from 1989 - 2003, Iran was able to once again expand their nuclear capabilities without the intense scrutiny of the international community. Iran entered into nuclear cooperation agreements with both Pakistan and China as well as Russia later down the road (“Iran's Nuclear Program”). In August of 2002, the National Council of Resistance of Iran (NCRI) announced that Iran had undeclared nuclear facilities. This led to the International Atomic Energy Agency (IAEA) coming in to carry out inspections and meet with officials to discuss the nature of this concluded nuclear program. Iran signed the Additional Protocol which allows the IAEA, the UN’s nuclear watchdog, access to nuclear activities; this came after negotiations with the EU-3 (France, Germany, and the United Kingdom) in attempt to avoid going before the UN Security Council. Iran initially rejected the EU-3’s first agreement to cease nuclear activity after they were caught multiple times with enhancing their nuclear activities yet again. This made the international community distrust Iran since they were operating their nuclear activities behind closed doors and dispersing false information about such activities (“Iran's Nuclear Program”).

In 2005, U.S. President George W. Bush created sanctions against countries supporting Weapons of Mass Destruction (WMD) proliferation. Throughout 2006 to 2008, Iran was reported to the United Nations (UN) Security Council but continued their expansion of nuclear

activities regardless of the new restrictions imposed on them by the UNSC (“Iran's Nuclear Program”).

In 2009 attempts were made again to reach an agreement between the P5+1 and Iran, which failed in the end. Throughout this year, international tensions rose as an agreement could not be reached and more news about increasing nuclear activity was coming from Iran. This included an expansion of uranium enrichment facilities as well as the ability to enrich uranium up 20 percent and could go further if Iran chose to do so. The U.S. increased economic sanctions on Iran to hurt the Iranian gasoline supply. Sanctions were also increased in 2010 by the UNSC and this was followed by similar actions by the EU and US (Davenport).

The next year was followed by a meeting in Geneva with the P5+1 and Iran to try and reach a nuclear agreement, which ultimately did not happen. In 2012, Iran was met with further economic punishments but allowed the IAEA more access to Iran’s nuclear program. Talks are continued with the P5+1 following proposals from both sides. These negotiations continued through both 2013 and 2014 until an agreement was reached (Davenport).

#### *Joint Comprehensive Plan of Action*

The NPT paved the road for the creation of the Joint Comprehensive Plan of Action (JCPOA) in 2015. This agreement was reached on July 14th, 2015 by Iran and the P5+1 countries (China, France, USA, Germany, Russia, and the UK). This nuclear deal was supported by the UN Security Council and was monitored by the International Atomic Energy Agency (IAEA). According to Katzman et al:

‘The P5+1 and President Obama have declared that the JCPOA represented the most effective means to ensure that Iran cannot obtain a nuclear weapon. U.S. officials also assert that all U.S. options to prevent Iran from developing a nuclear weapon remain available even after the key nuclear restriction of the JCPOA expire, and that the JCPOA contains provisions for U.N. sanctions to be reimposed if Iran violated its commitments under the JCPOA’ (Katzman, 2).

At the time, it remained questionable whether any nation would choose to develop sanctions against Iran later down the road. Some critics of the JCPOA offered the view that the removal of the many different sanctions in place and allowing for Iran to trade arms as well as

develop ballistic missiles in a few years would give them too much regional power. This upset many other countries in the Middle East who felt threatened by Iran’s potential growth in influence, both in the Middle East and with the world (Katzman, 4). Some critics also felt that if the threat of Iran subsided, the US would decrease some of the security measures that are currently in place in order to keep peace in region.

The JCPOA created many stipulations for Iran that would lead the world to a more peaceful place, this included some of the following (Davenport, 2018):

Table 1 Nuclear Program Provisions

<p><b>Level of enrichment Limits</b></p>	<ul style="list-style-type: none"> <li>• Iran to eliminate their stockpile of medium-enriched uranium and cut its stockpile of low-enriched uranium by 98%</li> <li>• Only enrich uranium up to 3.67% for 15 years</li> <li>• freeze the amount of stocks of enriched uranium hexafluoride containing up to 5% uranium-235</li> <li>• Iran's uranium stockpile was reduced by 98% to 300kg (660lbs)</li> <li>• Fordo, the underground enrichment center, will be converted to a nuclear, physics, and technology center</li> </ul>
<p><b>Centrifuges Limits</b></p>	<ul style="list-style-type: none"> <li>• A 2/3 ‘s reduction in the number of gas centrifuges for 13 years</li> <li>• Iran will not build any new heavy water facilities for 15 years</li> </ul>
<p><b>Additional Monitoring</b></p>	<ul style="list-style-type: none"> <li>• IAEA will have regular access to all Iranian nuclear facilities</li> <li>• IAEA will have the ability to daily video monitoring of all Iranian nuclear facilities</li> <li>• Nuclear research and development must take place only at Natanz Nuclear Facility and be limited until 2024</li> </ul>

Table one gives an example of some of the major provisions that Iran has to follow under the JCPOA. This is also paired with the fact that Iran is to stop further advances of nuclear weapons activities. The IAEA was given all records of nuclear activity in the country as well as all future nuclear program plans that were in place.

The other important aspect of the JCPOA along with the nuclear program provisions is the easing of sanctions. This is used to incentivize Iran to follow the JCPOA and give them enough reason to do so. The JCPOA provided “limited, temporary, targeted, and reversible” sanctions relief for Iran. According to Katzman, the sanctions included some of the following:

Table 2 Easing of Sanctions under the JCPOA (Katzman, 20)

<b>Access to Some Hard Currency</b>	<ul style="list-style-type: none"> <li>• Iran was able to repatriate \$700 million per month in hard currency from oil sales</li> </ul>
<b>Oil Exports Capped</b>	<ul style="list-style-type: none"> <li>• Iran’s oil exports were required to remain at their level of about 1.1 million barrels per day (mbd)</li> </ul>
<b>Resumption of Trade with U.S. in Selected Sectors</b>	<ul style="list-style-type: none"> <li>• Suspended U.S. and international sanctions on Iran’s sales of petrochemicals, trading in gold and other precious metals, and transactions involving Iran’s auto production sector.</li> <li>• Suspended sanctions on Iran’s energy sector</li> <li>• Ability to conduct transactions with Iranian banks</li> </ul>
<b>EU Lifting of Sanctions on Implementation Day</b>	<ul style="list-style-type: none"> <li>• Lifting of EU ban on purchases of oil and gas from Iran</li> <li>• Lifting the ban on Iran’s use of the SWIFT electronic payments system that enables Iran to move funds from abroad to its Central Bank or its commercial banks</li> </ul>
<b>U.N. Sanctions on Arms Sales and Ballistic Missiles to Be Terminated After Several Years</b>	<ul style="list-style-type: none"> <li>• Lifting of the ban on Iran’s development of nuclear-capable ballistic missiles within eight years</li> </ul>

	<ul style="list-style-type: none"> <li>• Lifting of the ban on conventional arms sales to Iran and on Iran’s exportation of arms to be lifted within five years</li> </ul>
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The easing of the sanctions listed in table 2 are created to provide Iran with economic relief and the strengthening of their ability to trade. However, “The JCPOA does not require the United States to suspend sanctions on Iran’s support for terrorism, its human rights abuses, and worldwide arms and WMD-related technology to Iran” (Katzman, 19). The agreement also states that the parties involved are not allowed to reimpose any of the sanctions that have been lifted. If that is to happen while Iran is still compliant, then Iran is no longer forced to follow the nuclear agreements laid out in the JCPOA.

In paragraph 36 and 37 of the JCPOA, there is a mechanism for the automatic re-imposition of UN sanctions against Iran. This “snapback” is a dispute resolution mechanism, which also includes an arms embargo and travel bans of certain Iranian officials (“JCPOA 'Snapback' Mechanism”, 2). This allows for any veto-wielding member of the U.N. Security Council (including the U.S.) to block a U.N. Security Council resolution that would continue the lifting of U.N. sanction despite Iran’s refusal to resolve the dispute. The time for this “dispute resolution mechanism- between the time of the complaint of Iranian noncompliance and the re-imposition of U.N. sanctions – is 65 day (Katzman, 21).

The EU wanted the JCPOA to move forward in a positive way, with little to no military conflict. This was because the EU did not want to see a repeat of the US’s involvement in Iraq and prevent any kind of escalation. This was following the US and Israel making it clear that they were willing to attack any nuclear energy facility in Iran and destroy through military capabilities, this was an action the EU wanted no part in. The EU was given the opportunity to test its international capability by leading the role in Iranian nonproliferation, a role in which they thrived (Cronberg, 245). The EU was successful in their addressing proliferation risks through multilateralism and diplomacy. The EU led the negotiations for the JCPOA, and these negotiations have prevented an escalation of conflict and kept open the diplomatic channels between Iran and the international community (Kienzle, 11).

However, in 2018, President Trump made the decision for the US to withdraw from the JCPOA and resort to US sanctions against Iran (Davenport, 2018). After more than two intense years of negotiations among the critical countries involved, it was all undone very quickly. The US has made the decision to reimpose sanction on Iran and is considering the possibility of even intensifying the sanctions. However, Iran stated they are going to stick with deal but harshly criticized President Trump for not abiding by the terms laid out in the international agreement (Landler, 2018). Iran has agreed to stick with the deal due to the economic benefits and the deeper relationship that is being created with the EU. If it was not for the increased trade and reduction of sanctions, Iran would once again begin building up its nuclear arsenal, especially with the heightened tensions with the US currently.

## **Research Question**

**Research question:** How have EU trade relations with Iran over the last 10 years resulted in positive outcomes in the field of nuclear energy and non-proliferation?

- What was the critical point over this ten-year span that had the largest effect on non-proliferation talks among the EU and Iran?

This is an important question to research because increased trade and a reduction of non-peaceful nuclear energy can lead to decreasing amounts of conflict. As countries become less worried about Iran's nuclear capabilities, there is more room for deeper relations between Iran and other states. An increase in trade also results in more cooperation and deeper integration between the involved parties. This leads to an incentive for countries to work with another and attempt to prevent conflict within their borders as to not affect any potential commercial gains. The nuclear Iran deal was the first of its kind and represents a win for EU foreign policy. This paper looks at the relationship between the EU and Iran to examine the effects of trade on nonproliferation. The findings of this paper will contribute to the evolving discussion of the effects of trade on nonproliferation and the role of the EU in a global setting. It will also give increased understanding to the evolution of the bilateral trade agreements between the EU and Iran, as well as the multitude of benefits to all countries involved.

**Hypothesis:** The threat of nuclear energy (and/or acquiring nuclear weapons) in Iran decreased if trade between the EU and Iran increases.

“It is argued that the mutual dependence established between two trading partners (dyads) is sufficient to raise the costs of conflict, thereby diminishing levels of dyadic dispute” (Polachek). This means that trade and conflict have a negative relationship because mutual dependence makes conflict more costly, ultimately leading to increased cooperation and peace. As the threat of nuclear weapons in Iran are eased and trade between the two actors deepens, there will be further growth among this relationship. This paper will examine the trade and nonproliferation relationships between the EU and Iran between 2009 - 2019. The working hypothesis believes as the threat of nuclear energy in Iran subsides, trade between the two actors will increase. This is due to the threat of non-peaceful nuclear energy diminishing allowing for more dependence on one another. This will foster a greater relationship between the two actors and allow for them to be global leaders by setting an example of trustworthiness.

## **Methodology**

In order to answer the research question presented and test our hypothesis, we will use various qualitative methods. This will include using process tracing and comparative analysis. This will include looking at various scholarly articles and comparing authors opinions as well as examining trade statistics between the EU and Iran from 2009 - 2019. This includes the use of primary sources from the European Commission on trade with Iran over the last decade as well documentation on the origins and contents of the JCPOA. This will allow for any pivotal trade points between these two partners to emerge and compare that with their progress in nonproliferation. The creation of the JCPOA was the first of its kind and paved the way for European foreign policy. Due to its originality, qualitative methods that examine the relationship between the EU and Iran are the best way to study this topic.

## **Supporting Evidence**

EU - Iranian relations have been heavily strained and tested over the years. Starting around 2009, trade relations have been harmed due to disagreements about Iran’s nuclear program. In 2012, major sanctions were placed on Iran by not only the EU but the USA. These sanctions have been described as the toughest economic sanctions imposed by European officials in the history of the EU:

‘The EU’s restrictive measures against Iran focused on Iranian banks, trade, and gas exports... Analysts say the unilateral sanctions announced by the US and EU, as well as those imposed by the UN Security Council, have done significant damage to the Islamic Republic's economy. Earlier this month, riots broke out when Iran's currency, the rial, plunged to new lows against the dollar, according to local currency exchange websites, having lost 80% of its value since the start of the year’ (Paivar, 2012).

These sanctions also included assets held by the Central Bank of Iran and stopped the trading of all precious metals and petrochemicals to and from the country (Greene, 2012). The sanctions put restrictions on foreign trade, financial services, energy sectors and technologies. Iran was also hit hard with an embargo on Iranian oil exports from the EU as well. During this time period, the EU accounted for 20% of Iran’s oil exports, with most of the remaining being exported to Asia, such as China, Japan, India, and South Korea (Marcus, 2012). This is evident by looking at figure one below, which shows a steep drop off in both EU imports and exports from Iran in 2012. Exports, according to figure one, dropped off by about 12,000 million euros between 2011 and 2012. In 2011, Iran ranked 7th in exporting crude oil to Europe and 27 European states imported 11.4 billion euros of goods from Iran in the first nine months of 2011 (Marcus, 2012). This highlights the potential the EU and Iran must become large trading partners with room for further growth. That was again cut short as Iran continued to develop nuclear energy and force international actors to proceed with caution.

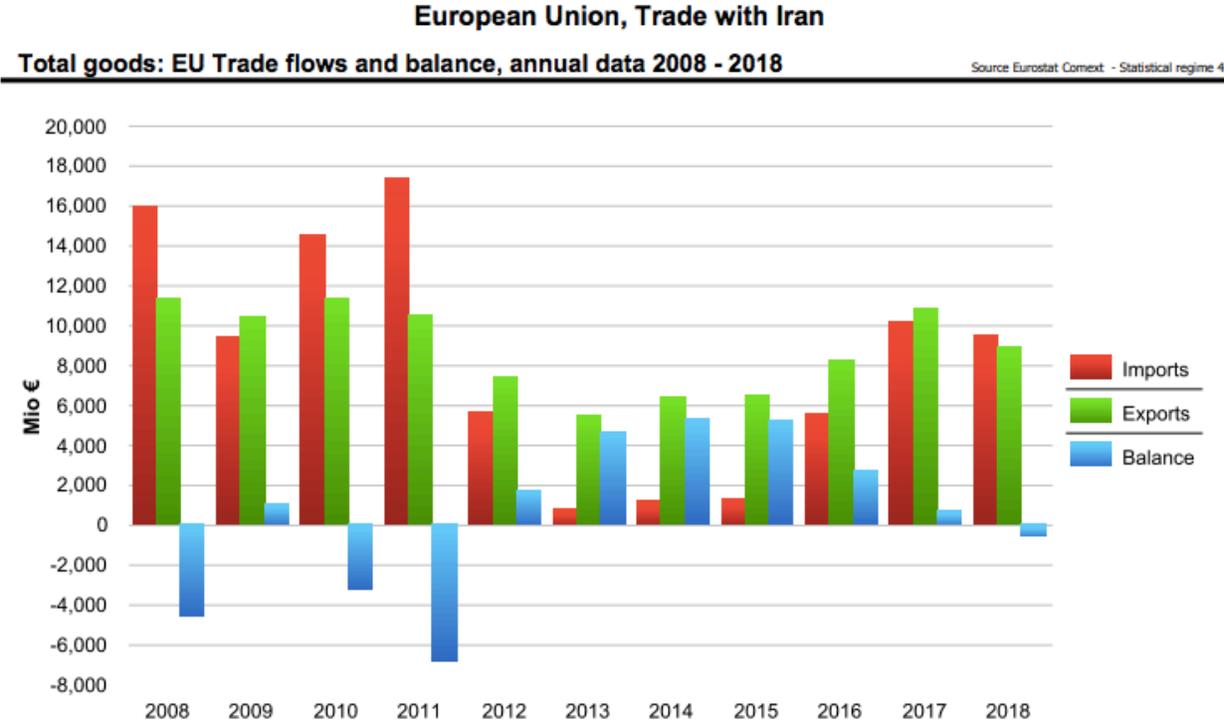
The EU has often been criticized in the past for their soft approach to security and foreign policy. That is why their approach to the JCPOA was so surprising to many, it had a single message from all EU member states, stop the nuclear weapons building or pay the price. The collective support of all European member states (especially those holding nuclear weapons) and the collaboration with the US, gave the JCPOA all it needed to fuel change in Iran, simply by starting with their economy. Due to the complexity of nonproliferation negotiations, many felt as though the EU was not well equipped to handle the task. Yet, the EU demonstrated it can ‘deliver practical outcomes in diverse areas and strengthen the verification work of international nonproliferation organizations, and support nonproliferation effort in partner countries through

various modes' (Kienzle, 17). The JCPOA is still regarded as a win for nonproliferation discussions and should be used as a template for other agreements in the future.

'The EU has also demonstrated that it can take a tough stance in high-profile cases such as that of Iran. Above all, the adoption of strict unilateral sanctions outside the UN framework in 2012, including an oil embargo, came as a largely unexpected move and earned the respect of those who advocate a hardline approach against Iran. A prominent Israeli commentator went even so far as to claim that 'the European Union went to war against Iran' (Kienzle, 11).

However, these aggressive sanctions appear to have been successful. In 2015, the JCPOA was reached between the P5 + and Iran, showing that the harsh economic conditions forced Iran to become compliant with international nuclear energy standards. This agreement allowed Iran to normalize trade relations with the EU once again and table 3 shows how the JCPOA helped the trade relationship. Once talks began in 2013, the economic conditions began to improve, with continued growth seen through 2017. This shows that 2012 was a big turning point for EU - Iranian relations both in terms of nonproliferation and trade. Although serious JCPOA talks did not begin until the following year, the conditions that took place in 2012 forced Iran to take positive action in terms of nuclear energy. This highlights the ability of EU foreign policy to utilize the carrot and stick methods in terms of international trade with Iran. The stick method is seen through the harsh trade sanctions that were implemented by the EU and others, meaning a punishment for Iran's unacceptable behavior. While the carrot method can be seen through the gradual lifting of sanctions as Iran complied with the JCPOA, so they were rewarded with less trade restrictions.

Table 3: European Union Trade with Iran 2008 – 2018 (“European Union, Trade in Goods with Iran”)



The JCPOA again limits Iran’s nuclear energy program and increased monitoring and transparency in exchange for the relief of existing international sanctions, mostly relating to trade. The UN began lifting sanction in January of 2016, again that is why you see continued economic growth in figure one since the signing of the JCPOA. The implementation of this agreement allowed for the possibility of substantive growth in bilateral trade at many different levels (European Commission, 2019).

According to the European Commission Directorate General of Trade, the trade growth was seen in the following ways (“European Commission Directorate-General for Trade”):

- China, the United Arab Emirates, and the EU are now Iran's main trading partners, accounting for 19.5%, 16.8% and 16.3% respectively. The EU used to be the first trading partner of Iran before the current sanction's regime.
- Balance in trade with Iran was €682 million in 2017. Trade balances since 2012 with Iran have been mostly positive; for the previous five years they were mostly negative.

- The EU exported over €10.8 billion worth of goods to Iran in 2017. EU exports to Iran are mainly machinery and transport equipment (€5.5 billion, 50.9%), chemicals (€1.9 billion, 18.1%), and manufactured goods (€0.9 billion, 8.9%).
- The EU imported over €10.1 billion worth of goods from Iran in 2017. Most EU imports from Iran are energy-related (mineral fuels account for €8.9 billion and 88.7% of EU imports from Iran), followed by manufactured goods (€0.6 billion, 6.4%), and food (€0.3 billion, 3.3%).
- In 2017, EU imports from Iran increased by 83.9% and EU exports increased by 31.5%.

These trade statistics highlight Iran’s ability to deepen trade relations with not only the EU, but also with other nations, after reducing their nuclear energy capabilities. Nonproliferation was gained only after a harsh economic environment was created in the country. The growth seen in 2017 comes following the Implementation Day, the point at which the IAEA confirms that Iran has met the required nuclear energy requirements discussed above in the JCPOA. This led to the EU, US, and UN to take immediate action in lifting their Iranian sanctions allowing for the growth seen in both 2016 and 2017. This shows that the stated hypothesis above is correct, as trade is strengthened between these actors, nonproliferation can move forward. This gives both actors and the world greater peace of mind as it removed some level of nuclear danger from a previously volatile country.

Table 4: EU Trade with Iran from 2015 – 2018 (“European Union, Trade in Goods with Iran”).

		Imports Value Mio €				Exports Value Mio €			
		2015	2016	2017	2018	2015	2016	2017	2018
<b>Total</b>		1,254	5,516	10,125	9,453	6,470	8,232	10,829	8,914
0	Food and live animals	358	375	334	315	587	504	429	310
1	Beverages and tobacco	0	0	0	0	53	72	54	47
2	Crude materials, inedible, except fuels	122	125	136	134	145	204	275	211
3	Mineral fuels, lubricants and related materials	28	4,262	8,988	8,248	20	22	286	72
4	Animal and vegetable oils, fats and waxes	0	0	0	0	12	24	16	25
5	Chemicals and related prod, n.e.s.	207	196	301	315	1,578	1,822	1,966	1,741
6	Manufactured goods classified chiefly by material	490	467	286	357	500	732	948	806
7	Machinery and transport equipment	31	67	50	42	2,706	3,789	5,516	4,826
8	Miscellaneous manufactured articles	6	7	11	16	698	868	995	680
9	Commodities and transactions n.c.e.	8	11	10	24	139	160	187	32
Other		4	6	7	0	33	33	156	165

The EU saw an expansion of their own markets as a direct response of the JCPOA. This is highlighted in table 4, which shows the EU's trade flows with Iran based on sector, between 2015 – 2018. In 2015, when the agreement was just being implemented, total trade imports were at 1,254 million euros and by 2017, it went up to 10,125 million euros. That is over an 800% increase in a matter of two years. Specifically, in the category pertaining to trade imports of mineral fuels, lubricants and related material, the number went from 28 million in 2015, to 8,988 million by 2017. That growth is also reflected in EU exports to Iran, which show major increases in almost every trade sector from machinery to manufactured goods. According to the European Commission, EU exports grew 31.5 percent and imports grew 83.9 percent between 2016 – 2017 to Iran. 'The EU exports a large mix of products to Iran including plastics, nuclear reactors, boilers, machinery, instruments, pharmaceutical and chemical products, vehicles, aircrafts, spacecraft, and more' (Gopalan). This staggering growth came after bilateral trade was able to resume between the two actors and this upward trajectory indicates that a reinstatement of trust has led to profits.

Imports from Iran are said to mainly consist of mineral fuels, chemical products, and food. These imports include other things like dried fruits, pistachios, and Persian rugs as well as auto parts and other heavy equipment (Gopalan).

Individual member states saw their own national economies improve after the JCPOA was implemented in 2015. For example, French trade with Iran collapsed after sanctions were imposed in 2006. Once those sanctions were removed, French – Iran trade grew by 118 percent in a matter of a few months in 2017. This type of economic growth is only built once trust is restored into the bilateral relationship, which is represented through large French companies willing to invest in other nations:

“French oil company Total concluded a deal worth about \$4.8 billion to develop the world's largest gas field in South Pars over 20 years. Airbus entered into a deal to sell 100 airplanes to Iran estimated to be worth \$18 billion. French carmakers Renault and Peugeot also have sizable markets in Iran” (Gopalan).

Growth was also seen in Germany, who was the former largest trading partner with Iran decades ago. German trade with Iran in 1975 was estimated at \$4.5 billion and later in the 1970's it grew to reach about \$6 billion. In 2017, Germany's exports to Iran were worth \$3.5 billion;

this was a \$1.5 billion jump from before the JCPOA in 2013 (Gopalan). Germany’s exports to Iran contain a range of products including chemical and electrical goods, construction machines, and other industrial machines. The demand for machinery and equipment built up over the years that the economic sanctions were in place with Iran, giving Germany the opportunity to return to a trade surplus with Iran. Although, a trade surplus with Iran has been seen by Germany over the last few decades before the sanctions (“German Exports to Iran”). Trust has maintained a vital piece of the German-Iranian trade relationship throughout the years:

“Germany and Iran have a long history of friendly relations. German companies have a long history in Iran. Siemens has been in Iran for nearly 150 years...Iranians have a long cultural memory. They know that Germany has been a good business partner for a long time and they also know that Germany hasn’t interfered in Iran’s domestic politics. Germany was able to benefit from better-performing deals with Iran, albeit not o the extent expected” (“Germany Exports to Iran”).

The following is a list of how other individual EU member states have prospered as a result of trade with Iran since 2015 (Gopalan):

<b>Iran and Austria</b>	<ul style="list-style-type: none"> <li>• Trade grew 34 percent in 2017 compared to 2016</li> </ul>
<b>Iran and Spain</b>	<ul style="list-style-type: none"> <li>• Trade between the two was worth 1.67 billion euros in 2017</li> </ul>
<b>Iran and the Netherlands</b>	<ul style="list-style-type: none"> <li>• Trade was worth 1.34 billion euros in 2017</li> </ul>
<b>Iran and Italy</b>	<ul style="list-style-type: none"> <li>• Trade grew 117 percent between 2016 – 2017</li> </ul>

The trade growth seen in these member states shows how the Iran deal gives many actors the opportunity to reap major trade benefits. This is aside from the international community gaining regional stability in the Middle East as well as nuclear nonproliferation from Iran.

In 2019, the steady growth in trade between Iran and the EU came to a halt as US sanctions were re-imposed on Iranian oil. These sanctions changed the way European businesses could operate with Iranian oil companies, forcing a decrease in trade between the two actors. “During January – June 2019, trade between Iran and EU reached 2.55 billion euros, which is 25 percent of the figure for a similar time period the previous year” (“Iran’s trade with EU Drops”).

This bilateral trade relationship saw a 53 percent decrease in EU exports to Iran and 93 percent drop of Iranian imports. This came at the same time as Iran's questioning of the Iran deal and decision to no longer follow the limitation presented in the JCPOA. This further shows our hypothesis to be true because as trade among these two actors decreases, the threat of Iranian nuclear energy is increasing. This came after a large period of economic expansion between two actors as well as proper nuclear guidelines being followed.

## **Conclusion**

The evidence presented throughout this paper suggests that the hypothesis stated earlier, the threat of nuclear energy (and/or acquiring nuclear weapons) in Iran decreased if trade between the EU and Iran increases, was proven to be true. This is seen through the sharp increases of trade growth among the EU and Iran following the implementation of the JCPOA. Many different economic sectors saw large increase in economic growth once trade with Iran was reinitiated. The relieving of economic sanctions and putting nuclear energy concerns to bed allows for the fostering of a deeper relationship among international actors.

Unfortunately, in 2018, President Trump made the decision to remove the US from the JCPOA and place further sanctions on Iran. He did this because he felt that the JCPOA was too lenient on Iran and that the US needed to do more. President Trump has stated that the JCPOA is "an embarrassment to the United States" and "the worst deal in history". This was a harsh blow to the EU and the strides they had made to move Iran forward in nuclear energy compliance. This showed the EU's capabilities on a global scale and proved that it can handle global responsibilities. This means that the EU cannot sit idle while the US moves to undo the good that has been created out of the JCPOA. The EU must continue, through various foreign and economic policy, to work with Iran and keep them from falling back into the development of non-peaceful nuclear energy. This will help keep stability and peace, not only in the middle east and Europe, but in the entire international community. Iran has proven that they are adaptable to change, through both carrot and stick methods of economic challenges, but nonetheless have shown a willingness to cooperate.

Since the US's re-imposing of sanctions and departure from the JCPOA, Iran has acted out. "Every single European government believes that the increased threat we're seeing from

Iran now is a reaction to the United States leaving the Iran nuclear agreement and trying to force Iranian capitulation on other issues,” said Kori Schake, a former Pentagon official (Erlanger). The US’s distrust of Iran has again increased tensions throughout the global community and the removal of any bilateral trade agreements has led to the deterioration of nonproliferation agreements.

In January of 2020, the US targeted an airport in Baghdad via airstrike and killed Iranian general Qassem Soleimani. This led to Iran stating they will no longer follow the agreements laid out in the Iran deal but they will attempt to try with the IAEA (Lee). This means that not all hope is lost for the future of the JCPOA as Iran is showing a bit of willingness to try and cooperate with the international community (minus the US). Due to the tumultuous past of Iranian nuclear activity, it was only a matter of time until some event derailed Iranian progress. Unfortunately, this should not have occurred at the hands of the US, who should be attempting to cooperate with Iran and keep peace both in the Iranian region and globally. The EU needs to continue to work and influence Iran through their foreign policy and not let the Iranian government resort back to secretly producing nuclear energy. Disarmament and nonproliferation have been a top priority for the EU over the last few decades and it seems that this will hold true in the future as well.

The complexities of the bilateral trade relationship between the EU and Iran make it very difficult to explain all aspects of the relationship. This paper gives supporting evidence to the inverse relationship between nuclear nonproliferation and trade, but more research needs to be done on the subject to reach a complete explanation.

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