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# Foreign Policy Insight

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# The Iran Nuclear Deal: implications for Ukraine



**O**n July 14, 2015, a group of six major powers (the US, Russia, China, Great Britain, France and Germany) and Iran signed a long-awaited Joint Comprehensive Plan of Action addressing Iran's nuclear program (INP). A number of circumstances within Iran and in world politics, especially the beginning of the US-Russia dialogue on a range of global issues, including Ukraine, made it possible to reach this historic agreement. It will have significant implications not only for US-Iran relations, but also the current situation in Syria, further confrontation between Iran and Saudi Arabia in the Middle East, Israeli policies and global energy security. It will also have an impact on the Ukraine-Russia conflict as well as the positions and actions of both the US and Russia regarding Ukraine.

## New circumstances

Since 2006, the parties have been conducting difficult negotiations in a P5+1 format (the five permanent UN Security Council members and Germany), but severe global confrontation over INP hindered the reaching of a compromise. During 2013-2015, there were several events which broke the INP deadlock.

First, in August 2013, Hassan Rouhani replaced Mahmoud Ahmadinejad as president of the Islam-

ic Republic of Iran. Ahmadinejad has a tough and implacable position on the US, Israel and their allies in the Middle East. The new president has shown openness to the de-escalation of tensions with the White House that was embodied in a series of interim agreements on INP signed with the six countries during 2013-2015.

Second, the annexation of Crimea in March 2014 took place against the background of a crisis with a nuclear nonproliferation regime. Non-nuclear states, which occasionally sought to develop a nuclear program, received a chance to make certain that their renunciation from nuclear weapons in exchange for the commitments of UN SC permanent members to respect the independence, sovereignty and territorial integrity does not contribute to guaranteeing the primary national interests. The fears of the United States and other members of the nuclear club thus became more founded given that now any powerful regional state that feels itself defenseless will be induced to again think about the development of nuclear weapons referring to the situation with Ukraine. Washington realized that sanctions and other forms of pressure will not bring the desired result, and therefore it compromised with Tehran so that Iran's hypothetical nuclear ambitions would not become reality.

Third, the emergence of the “Islamic State of Iraq and the Levant” (ISIL) has become a catalyst for the US rapprochement with Iran. ISIL is the main threat to the interests of both countries in the Middle East and gave them a push toward a situational alliance that is still limited to a coordination of international efforts to counter regional challenges. The continuance of such a union is doubtful, as disparate interests of Washington and Tehran in war-torn Iraq and Syria are united only by ISIL activity.

However, the main factor that has changed over the last few months and weeks is US-Russia relations. The creation of the negotiation format Nuland-Karasin, where the key geopolitical issues are discussed and resolved at the operational level, has become just a formal sign of that change. The Russian aggression in Ukraine and the tough American response to Russia’s actions sharply raised the stakes in bilateral relations. After a muscle-flexing and harsh antagonistic rhetoric, the parties finally agreed on the need for mutual concessions on the vital issues. For the US, it was important to avoid Russia’s opposition on the Iranian and Syrian issues, and Russia, in its turn, supported the West as regards the Iranian nuclear deal as a step towards the restoration of an image which was ruined by the ongoing conflict in Donbas.

The Iran nuclear deal can be considered as a part of a broader US-Russian agreement on a number of international problems that include not only Iran, Syria, ISIL, Iraq or Afghanistan, but also the settlement of the Ukrainian crisis and the Ukraine-Russia conflict. There are an increased number of examples that Ukraine will now have to deal not with separate American and Russian positions, but rather with a coordinated US-Russia position, and the further settlement of the conflict in eastern Ukraine and the Crimean issue can be linked to quite unexpected issues not related to Ukraine – such as the Iranian case.

The nuclear deal makes it possible to freeze the military component of Iran’s nuclear program in the medium term, and it will provide an opportunity for Washington and Tehran - two long-time antagonists - to win time and normalize their bilateral relations. The nuclear deal dictates as follows: Iran will stop trying to acquire a nuclear weapon; Iran needs permission to examine and develop models of centrifuges to enrich uranium, with certain restrictions

in place, for 8 years; Iran is prohibited from building new nuclear facilities for 15 years; international inspectors from the International Atomic Energy Agency (IAEA) will be allowed access to all Iran’s uranium enrichment facilities (both civilian and military); trade, financial, energy and nuclear technology-related sanctions imposed on Iran by the US, the EU and the UN will be lifted after the verification of Iran’s nuclear facilities by international inspectors from the IAEA; an arms embargo will remain in place for 5 years, and the prohibition on the supply of missiles will be valid for 8 years.

On July 20, 2015, the United Nations Security Council passed a resolution endorsing the Joint Comprehensive Plan of Action, paving the way for the implementation of the nuclear deal. At the same time, those US sanctions that are not connected to Iran’s nuclear program and were imposed after the victory of the Islamic revolution in Tehran in 1979 will remain in place.

All global players are interested in Iran, and this interest goes beyond the non-proliferation of nuclear weapons issues. Iran has a great influence on global energy security, ranking second in natural gas reserves and fourth in oil reserves. Moreover, due to its geographical location, Iran serves as a bridge between the Near East and Central and Southern Asia. Tehran’s geopolitical potential is reflected in its active regional policy, including its support for Bashar al-Assad’s shaky regime in Syria, Shia rebels in Yemen and Hezbollah in Lebanon, which contradicts the interests of traditional players in the Near East. Thus, in light of the important role that Tehran plays in the Near East and in the world, the nuclear deal will have wide repercussions, at least in the short term.

### US-Iranian Relations

The nuclear deal will undoubtedly reduce tensions between the US and Iran and will provide opportunities for mutual cooperation on security issues. At the same time, the potential for conflict will remain due to the existence of sensitive issues such as the situation in Syria, Yemen and Lebanon and the Israeli-Palestinian conflict. However, in the short term, US-Iranian confrontation will be reduced to the local level, at which conflicting ethnic groups will take the brunt of the weak regional security structure. In case of a gradual lifting of international sanctions, American businessmen may

become pioneers in the Iranian market. At the same time, the US sanctions imposed earlier as well as other problems between the US and Iran are still relevant.

### Russian-Iranian relations

The normalization of US-Iranian relations will reduce Russian influence in Iran and other countries in the Near and Middle East. Now the Russian factor is less important for the US and the EU when pursuing their interests in Iran and other countries of the region. Russia's consent to Iran's nuclear deal was a major concession from Russia, and it was mainly made for the US. This concession cost Russia a great deal in political, financial and economic terms. Apparently, the Russian Federation received some sort of compensation for its decreasing influence in the region and the economic losses from falling oil prices. For this purpose, the Iran nuclear deal should be viewed in a broader context of Russian-American agreements, which likely also involved compromises on Ukraine and Syria. After spoiling its international image through the annexation of Crimea, the destabilization in Donbas and the shooting down of Malaysia Airlines Flight 17, Russia has been trying to come over as a constructive partner in the Iranian issue. Resolving the Iranian nuclear issue may not only revamp Russia's image but also pay Russia economic dividends due to its cooperation with Iran.

### Conflict in Syria

«The stress release» in the Iranian nuclear issue downplays the importance of the global confrontation over Syria. The reset of their relations with Iran will free Western states from the necessity to exert additional pressure on Assad's regime, the fall of which would lead to Tehran's isolation. President of Syria Bashar al-Assad reacted positively to the nuclear deal with Iran. In four years, Iran has exhausted its resources by providing military and economic assistance to Syria – its key regional ally - under tough sanctions, while Iran was rapidly losing control over the situation. Bashar al-Assad's optimism comes from the softening of sanctions against Iran, which will allow Iran to increase its financial resources and strengthen the Alawites' regime. At the same time, the Syrian conflict potential will move to regional and local levels.

### An Iranian-Saudi confrontation

The normalization of US-Iranian relations will inevitably lead to an escalation of the Iranian-Saudi confrontation. The agreement on the Iranian nuclear program would change the regional balance of power in the Middle East because it strengthens Iran's positions. As a result, Saudi Arabia and the Persian Gulf monarchies distrust the political-military alliances with the US. The Saudis worry mostly about the fact that the agreement does not eliminate the possibility for Iran to fill the Iranian nuclear program with a military component in the long term. Riyadh will enhance its deterrence policy in relation to Tehran, which may be based both on strengthening relations with the monarchical allies and developing its own nuclear program.

The “Cold War” in the Middle East is becoming even more complex. An Iranian-Saudi confrontation will add to the civil war in Yemen and Syria, the volatile situation in Lebanon, the struggle for control of the waters of the Persian Gulf and the competition for European consumers.

### The role of Israel

The agreement of “the Six” with Iran changes the security environment for Israel, and it will spur Tel Aviv to review its regional security policy. Benjamin Netanyahu has called arrangements on the Iranian nuclear program the “capitulation of the West to Iran”. Despite regular statements of the Israeli Prime Minister about the “existential threat”, Israel has a sufficiently large stockpile of nuclear weapons in order to surpass the theoretical nuclear capabilities of Iran. Israel represents Iran as diabolic both with its internal policy purposes and with its purpose of getting economic and security dividends from the US.

It is actually unfavourable for Israel to lose its absolute military superiority in the Middle East in the case that Iran will enhance its geopolitical position in the region. This means that in the future, it will be increasingly difficult for Israel to neutralize Hezbollah and other non-state allies of Iran.

The potential of the non-formal anti Shi'ite alliance with Saudi Arabia and its allies in the Persian Gulf will not be excluded as well. Despite the lack of diplomatic recognition from the oil monarchies, the Syrian crisis has proved that the threat of the “Shi'ite crescent” is a reasonable basis for the rapprochement of Israel and the Sunni states.

### Energy security

Lifting energy sanctions in the case of the proper fulfillment of nuclear obligations by Iran will resume the pre-sanctions level of oil and gas exports to the EU, which was previously mostly limited to Asian consumers. The emergence of Iran's share in the EU imports will reduce the energy dependence of the latter on Russia. Further, the most effective tool of Moscow's influence on the European countries will be weakened.

Despite ambitious expectations, exports of Iranian oil to the EU will start at the earliest in 2016 and will remain negligible over the course of several years. In order to increase exports, there is a need for investments in modernizing the outdated infrastructure of Iran. If the EU states seek to increase their pre-sanctions share of imports, Iran first and foremost needs Western investments and technologies with the purpose of enhancing transport capacity.

Iran's return to the global energy market will signify the further decline of oil prices, although steep fluctuations are unlikely. State exporters of oil, which have a weak financial buffer by excessively high dependence on oil revenues, such as Russia, Venezuela, Nigeria, Oman, Bahrain, will suffer.

The lifting of sanctions will expand access to the gas market of Iran as well. EU countries' access to Iran's energy resources depends on their investment into gas production and trans-anatolian gas pipelines.

### Importance for Ukraine

As it was submitted, the US-Russian compromise on Iran is perceived as an element of broader geopolitical agreement of the parties, including on Ukraine. The willingness of Russia to make concessions to the US in the agreement on Iran was made possible after a series of contacts at the highest level, which were then fixed at Victoria Nuland's and Grigoriy Karasin's level. For the Obama administration, the Ukrainian question is of only second priority after the Middle East. "Islamic State" has become a major threat to US interests and its allies in the Middle East. Despite the confrontational nature of US-Russian relations, Washington does not deny the possibility of cooperation with Moscow on the Iran issue, the threat of "Islamic State" and other problems of world politics.

The United States has joined Russia's demands and urged Ukraine to make constitutional amend-

ments on the special status of the insurgent-controlled territory of Donbas and hold elections in that area simultaneously with other local elections in the country. Besides geopolitical priorities, the US feels "Ukraine fatigue" resulting from the Ukrainian government's inability to make progress on the conflict settlement, carry out promising reforms and tackle rampant corruption. American policymakers repeatedly mention the popular saying that Ukraine never misses an opportunity to miss an opportunity. Therefore, the Obama administration has opted for a tactical pause in fierce confrontation with Russia over Ukraine for the sake of addressing numerous Middle Eastern threats.

The Iran nuclear deal has obvious short-term effects on Ukraine, namely that the country is implicitly forced to agree with previously unacceptable conditions legitimating DPR and LPR groups. Meanwhile, the long-term effects of the US-Russia compromise on INP and the Ukrainian crisis are not as clear. Ukraine still has chances to restore itself as a subject in negotiations in case Kyiv takes a number of successful steps: implements reforms, combats corruption, resumes economic growth and pursues consistent and sophisticated policy towards the occupied territories of Donbas and Crimea based on national interests.

However, Russia's strategic gain in the Iran nuclear deal and the changing developments in Syria and Kyiv's acceptance of constitutional amendments on Donbas seems ambiguous. Moscow may be proud of the tactical advantage rather than the strategic victory so far. Falling oil prices will increase the costs of Russia's aggression in Ukraine and weaken the oil-dependent economy. Subsequently, the decline in oil revenues will affect both the welfare of Russian citizens and DPR/LPR economic and military capabilities. Russia is expected to face so many long-term internal challenges – ranging from a non-modernized economy to an authoritarian political system – that none of the short-term diplomatic advantages could make up for its problems. Nevertheless, Putin's regime is endurable enough to survive the current low oil prices for over a year. The US-Russian arrangement does not necessitate Ukraine's strategic loss, but it signals the mistakes of counting on foreign assistance given fragile state institutions, the lack of internal progress, flourishing corruption and inactive foreign policy.

Following the Iran nuclear deal, the evolving international situation has given an opportunity for cooperation between Kyiv and Tehran, although its prospect remains conditional so far. Besides energy, the end of Iran's isolation will enable closer bilateral economic cooperation. Ukrainian producers who lost the Russian market but are not competitive enough in the EU may diversify their exports by virtue of third countries. Iran, with a population of 78 million, people is very promising sales market for some Ukrainian goods, namely agricultural production. However, Ukraine will have to take into account European and Russian economic penetration in the populous Middle Eastern country. There are also two motivating factors in Iran-Ukraine cooperation in the field of aviation. Firstly, Ukraine is

currently searching for new aviation partners following the breach of contracts with Russia and the increased focus of Middle Eastern countries on the industry. Secondly, Iranian aircrafts, hardly hit by the sanctions, are in need of renovation. Ukraine is capable of supplying numerous aviation spare parts to address the needs of the Iranian aircrafts. Finally, Ukraine will come across fewer obstacles in case the country is engaged in perspective projects with Iran on a multilateral basis.

Ukraine needs both a modernized economy and diplomacy to avail itself of the new opportunities to the fullest. However, Ukraine can hardly compete with European, American, Russian and Chinese companies in Iran without replacing Soviet-style management and technologies.

The aim of the publication is to provide analysis of Ukraine's foreign policy in the context of global processes in the region and the world, as well as an overview of major world events that may have an impact on the further development of Ukraine and the region. Special attention is paid to the European integration of Ukraine, in particular implementation of Ukraine–EU Association Agreement.

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