



Iran Issue

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1 Non-proliferation background

- Iran joined the **Nuclear Non-Proliferation Treaty (NPT)** in 1970 and concluded its safeguards agreement with the IAEA in 1974. It has signed the Additional Protocol to this safeguards agreement but has not ratified it.
- All Iran's facilities, except the **Arak heavy water plant and a Kalaye plant**, were under IAEA safeguards as of mid-2003. Details are in the Director-General's reports to the IAEA Board on the IAEA website.
- Iran originally attracted world attention in 2002 when some previously undeclared nuclear facilities became the subject of IAEA inquiry. On investigation, the IAEA found inconsistencies in Iran's declarations to the Agency and raised questions as to whether Iran was in violation of its safeguards agreement, as a signatory of the NPT.
- An IAEA report in November 2003 showed that Iran had, in a series of contraventions of its safeguards agreement over 22 years, systematically concealed its development of key techniques which are capable of use for nuclear weapons. In particular, that uranium enrichment and plutonium separation from used fuel were carried out on a laboratory scale. Iran admitted to the activities but said they were trivial.
- In August 2005 the IAEA Board called upon Iran to suspend work associated with uranium enrichment. In March 2006 the IAEA referred the issue to the UN Security Council, which in 2006 required that "Iran shall without further delay suspend all enrichment-related and reprocessing activities." However **Iran has not backed off from its activities in developing uranium enrichment.**
- On 24 March 2007 the UN Security Council unanimously adopted a resolution imposing further sanctions on Iran and reaffirming that Iran must take the steps required by the IAEA Board, notably to suspend its uranium enrichment activities. **The IAEA reported in May 2007 that Iran had ceased providing information required under the Additional Protocol.**
- The IAEA stated clearly in November 2007 and since that unless the Additional Protocol was ratified and in place it is not possible for the Agency to establish that undeclared nuclear materials and activities are absent. Meanwhile enrichment continues, the existence of the underground and undeclared Qom plant has come to light, and hence a third UN Security Council resolution appeared likely.
- The Iran situation revived wider concerns about which countries should develop facilities with high proliferation significance—such as enrichment and reprocessing, even under safeguards if there is no evident economic rationale. At some point in the future, such a country could give three months' notice of withdrawal from the NPT and reconfigure its facilities for weapons production. The USA asserted that Iran had been in fact developing just such a breakout capability.
- This contention was supported in February 2010 when the government ordered the AEOI to commence enriching Iranian uranium to 19.75% for the **Tehran Research Reactor (TRR)**, thereby significantly closing the gap between its normal low-enriched material and weapons-grade uranium. The 1950 kg of low-enriched uranium (< 5%) moved to PFEP would be enough for vastly more 19.75% enriched uranium than the TRR could conceivably use.
- In August 2011 the AEOI confirmed that Iran had more 20% LEU than it needed for the Tehran research reactor, and that "security measures required that the sensitive part of the facilities would be transferred to underground buildings"—evidently Fordow.
- Since early 2012 Iran has continued to deny the IAEA's requests for access to the alleged high explosive testing site related to nuclear weaponization experiments at Parchin. The extensive activities, including asphaltting much of it that Iran has undertaken there have seriously undermined the Agency's ability to conduct effective verification. This loomed as a factor to block implementation of the **2013 Geneva agreement**, and remains a significant issue in "the clarification of past and present outstanding issues" regarding suspected nuclear weapons activities under the 2015 Joint Comprehensive Plan of Action.



- Iran agreed with the IAEA on safeguard measures for the IR-40 heavy water reactor at Arak and pledged to finalise these by August 2014.
- On 11 November 2013 a new **Joint Statement on a Framework for Cooperation** was signed with the IAEA whereby “Iran and the IAEA will cooperate further with respect to verification activities to be undertaken by the IAEA to resolve all present and past issues.” It addressed several of IAEA’s secondary concerns other than the main centrifuge enrichment program and the heavy water reactor, but set a three-month target for six measures.
- In September 2014 the IAEA reported that Iran was not meeting its obligations under the Framework.

2 Sanctions against nuclear programme of Iran

- The United States, United Nations, and European Union have levied multiple sanctions on Iran for its nuclear program since the International Atomic Energy Association (IAEA), the UN's nuclear watchdog, found in September 2005 that Tehran was not compliant (PDF) with its international obligations.
- The United States spearheaded international efforts to financially isolate Tehran and block its oil exports to raise the cost of Iran's efforts to develop a potential nuclear-weapons capability and to bring its government to the negotiating table.
- Following are the U.S sanctions:
 1. **Financial/Banking:** U.S. sanctions administered by the Treasury Department have sought to isolate Iran from the international financial system.
 2. **Oil Exports:** Along with pressure on Iran's access to international financial systems, curtailing oil revenue has been the principal focus of the Obama administration as it stepped up pressure on nuclear nonproliferation. Prior to 2012, oil exports provided half the Iranian government's revenue and made up one-fifth of the country's GDP; its exports have been more than halved since.
 3. **Asset freezes and travel bans:** Following the September 11, 2001, terrorist attacks, President George W. Bush froze the assets (PDF) of entities determined to be supporting international terrorism. This list includes dozens of Iranian individuals and institutions, including banks, defense contractors, and the Revolutionary Guard Corps (IRGC). Still other sanctions are associated with the aftermath of Iran's 2009 elections, when security forces suppressed a budding protest movement, and its support for U.S.-designated foreign terrorist organizations.
 4. **Weapons development.** The Iran-Iraq Arms Nonproliferation Act (1992) calls for sanctioning any person or entity that assists Tehran in weapons development or acquisition of "chemical, biological, nuclear, or destabilizing numbers and types of advanced conventional weapons." Subsequent nonproliferation legislation and executive actions have sanctioned individuals and entities assisting WMD production.
- The United States first levied economic and political sanctions against Iran during the 1979–81 hostage crises, shortly after Iran's Islamic Revolution.
- On November 14, 1979, President Jimmy Carter froze all Iranian assets "which are or become subject to the jurisdiction of the United States." The United States imposed additional sanctions when, in January 1984, the Lebanon-based militant group Hezbollah, an Iranian client, was implicated in the bombing of the U.S. Marine base in Beirut. That year, the United States designated Iran a state sponsor of terrorism.

3 Impact of these sanctions on India

- In the past few years, the US-led international economic sanctions against Iran have inhibited Indo-Iranian energy ties considerably.
- This oil trade makes up the bulk of Indo-Iranian bilateral trade. Whereas, Iran is India’s second largest oil supplier after Saudi Arabia, New Delhi is Tehran’s second largest oil purchaser after China.
- Indeed, in some months India has bought more oil from Iran than China did.
- It’s therefore not difficult to understand India’s well-publicised initial reluctance to announce immediate cuts in Iranian crude imports.
- Nonetheless, although this gives off the impression that New Delhi will seek to defy U.S. sanctions.

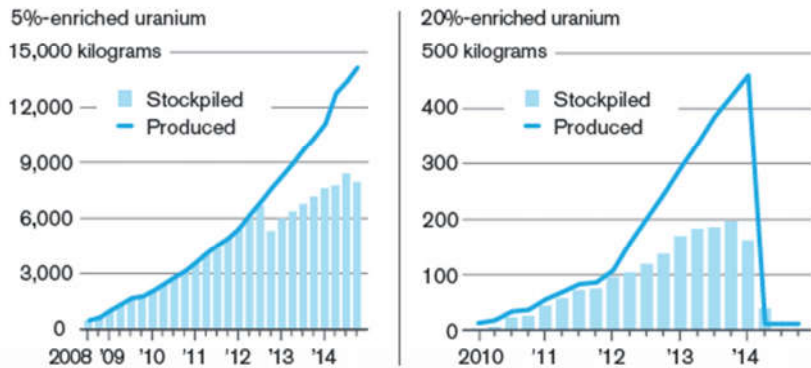
- Effect of these sanctions on the India in following field like:
 1. Oil and gas
 2. Trade and investment
 3. Crude oil dealings
 4. Non-economic commodity

4 P5+1 and Iran

- In mid-July 2015, the **Joint Comprehensive Plan of Action** with Iran was signed, after protracted negotiations. Iran agreed that over the next 15 years it will not enrich uranium above 3.67% and will reduce its stockpile of low-enriched uranium from 9000 to 300 kg of enriched uranium.
- Uranium research and development activities will only take place at Natanz, with much reduced number of centrifuges, while no enrichment will be carried out at the underground Fordow site. At Natanz, the number of installed centrifuges will be reduced from 19,500 to 6,100, only 5,000 of which will be spinning.
- All of them will be first-generation types: none of its more advanced models can be used for at least 10 years, and R&D into more efficient designs will have to be based on a plan submitted to the IAEA.

- In addition, Iran has agreed indefinitely not to build any new heavy water reactors or stockpile heavy water, and that the Arak reactor will be redesigned, with the original core being removed and destroyed. All used fuel will be shipped out of the country.
- A separate agreement with the IAEA sets out a path for “the clarification of past and present outstanding issues” regarding suspected nuclear weapons activities.

Iran Abides by Nuclear Limits



Note: 5%-enriched uranium fuels nuclear power plants. 20%-enriched uranium can be used to make medical isotopes but can quickly be purified to weapons-grade.

- Explanations and interactions are scheduled to mid-October so that the IAEA Board can receive a full report in December. Once the IAEA confirms that Iran has complied with its obligations under the international agreement, economic sanctions will progressively be lifted.
- The IAEA welcomed Iran's decision to implement the Additional Protocol to its Comprehensive Safeguards Agreement with the IAEA, allowing the intrusive monitoring required under the **Joint Comprehensive Plan of Action (JCPOA)**.
- The Carnegie Endowment comments positively: “The agreement demonstrates the viability of the rules-based nonproliferation regime created by the Nuclear Non-Proliferation Treaty (NPT) and including especially the IAEA safeguards system, notwithstanding the lacunae and imperfections of this regime.
- Indeed, the JCPOA buttresses the NPT. Whereas states may withdraw from the NPT and, in principle, then seek nuclear weapons, in the JCPOA Iran has committed not to ever seek nuclear weapons under any circumstances. And whereas the NPT does not include specific restrictions on activities that could contribute to the design and development of a nuclear explosive device, the JCPOA does.

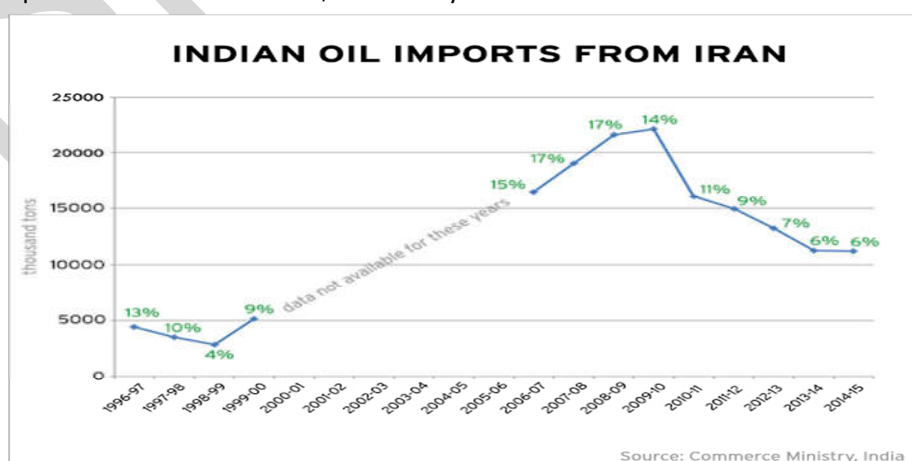
5 Effect of this deal on West Asia

- Iran believes Israel should not exist. Israel sees a nuclear Iran as a major threat to it and the wider world.
- Saudi Arabia, the Sunni-ruled regional rival to Shia Iran, also fears a compromise deal will not stop Iran eventually getting a nuclear bomb. Saudi Arabia also worries that an end to sanctions will embolden and strengthen Iran economically and militarily.
- **Both Israel and Saudi Arabia**, key US allies in the region, feel Washington is putting a deal with Iran before their security needs.
- As Iran is protecting the oppressive **Asad regime in Syria**, finances Hezbollah and Hamas to fight against Israel and supports the Houthi rebels in Yemen, it's a great concern for the West Asian countries how a strong Iran post the nuclear deal will behave.
- The Iran Nuclear Deal may also trigger a nuclear arms race in the middle east. Saudi Arabia and smaller Middle Eastern nations feeling threatened by an aggressive and powerful Iran MAY resort to covert nuclear bomb programme and aggressive militarization of their nations.
- With Iran coming back to the global high table it will be a fight for the power supremacy in the region between two major Middle Eastern powers Saudi Arab and Iran.
- **The Shia and Sunni divide** will further widen in the region with two major power blocks Iran and Saudi Arab pitting against each other for influence in the region.
- Post Iran Nuclear deal, Iran may participate with the coalition forces in the **fight against ISIS** which the Islamic republic is fighting on its own in Iraq. The participation of Iran in the fight against ISIS will be a boon to the coalition forces.
- Post Iran deal, there may be a progress on the Syria crisis as Tehran has much influence in Damascus. Tehran is now set to submit a four point plan to the UN for the political solution of the Syria crisis.

6 Effect of this deal on India

- The landmark nuclear deal between Iran and major world powers has enabled Tehran to restore normal trade with many countries. But before the deal was reached, despite crippling sanctions, India was among a handful of countries doing billions of dollars of trade with Iran.
- The lifting of sanctions will have significant implications for Delhi, which hopes to reinvigorate its economic and strategic engagement with Tehran
- Current bilateral trade between India and Iran is about \$14bn (£8.96bn) with the balance of trade in heavily in Tehran's favour. Indian exports to Iran were around \$4.2bn last year.

- India primarily imports oil from Iran, but has been hampered by restrictions placed by global powers.



- Due to the sanctions, India has been paying Iran in Indian rupees, with the money kept in an Indian account. In fact, the country is yet to release an estimated \$6bn in pending oil payments to Iran.
- Now Delhi, which is the fourth largest consumer of oil in the world, is free to import Iranian oil but will have to pay in dollars.
- Importing goods or sending shipments to Iran is currently expensive because of high shipping charges. India hopes the removal of sanctions will make it easier for companies to get shipments.

- **Opportunities for Indian pharmaceutical, IT, commodity firms**

Trade ministry officials say that the economic boost to Iran from the lifting of sanctions could offer opportunities for Indian pharmaceutical, IT and commodity firms.

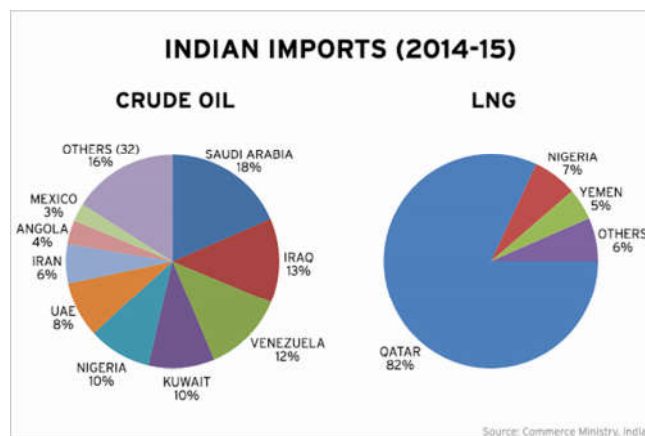
In May, for example, the two countries signed a deal to develop the Iranian port of Chabahar, on the Gulf of Oman, that would open up a new trade route to Central Asia.

- **India to seek rights for developing Iranian gas field**

Buoyed by Iran's historic nuclear accord with world powers to end sanctions, India will ask Tehran powers to end sanctions, India will ask Tehran to develop ONGC-discovered Farzad-B gas field in the Persian Gulf even as it prepares to pay USD 6.5 billion in past oil dues.

Indian firms have so far shied away from investing in Iran for the fear of being sanctioned by the US and Europe. The same was deterring New Delhi from claiming rights to invest nearly USD 7 billion in the biggest gas discovery ever made by an Indian firm abroad.

But with Iran and six world powers sealing an accord to curb the Islamic Republic's nuclear programme in return for ending sanctions, India is making a renewed pitching for rights to develop 12.8 Trillion cubic feet of gas reserves ONGC Videsh Ltd had found in 2008.



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