Iranian Deal - Fallouts of U.S. Pullout

What is the issue?

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- Trump administration had earlier imposed sanctions on Iran and walked out of the “JCPOA Nuclear Deal”.
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- As sanctions are now taking a political toll in Iran, allies should facilitate talks with the U.S. to ensure that the situation doesn’t escalate.
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What is the context of the nuclear deal?

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- **Alarm -** Iran was thought to be in the process of acquiring nuclear capabilities as it had uranium enrichment plants, which raised a worldwide alarm.
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- To restrain Iran from this endeavour, UN sanctions were introduced in 2010, which effectively curtailed Iran’s economy.
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- **Compromise -** The election of Hasan Rohani (a moderate leader) as Iranian President in 2014 saw the commencement of talks with international players.
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- Negotiations were carried out by P5+1 countries (permanent 5 in the UN, plus Germany), and a “Joint Comprehensive Plan of Action” (JCPOA) was evolved.
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- This was called “Iranian Nuclear Deal” and it effectively placed restrictions on Iran’s potential to enrich Uranium and thereby develop a nuclear bomb.
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- The deal proposed to lift sanctions on Iran in a phased manner and opened up Iran’s nuclear facilities for international inspections (by IAEA).
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- **Politics -** This was appreciated as a historic deal that resolved a tense

situation peacefully, for which Obama administration was commended for.
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- But the Trump administration decried the deal since the start, claiming that it gave away too much to Iran, it recently withdrew U.S. from the deal.
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- Further, it had introduced sanctions again and is also coercing its trading partners to do the same through stringent norms.
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What are the implications of a U.S. walkout?

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- **Economic -** The Nuclear Deal and its subsequent lifting of sanctions had boosted Iranian economy massively and created an overall euphoria.
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- Tehran had managed to double its oil exports, climbed out of recession and had managed to contain the runaway inflation that prevailed before 2015.
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- With the return of economic sanctions, Iran has been prohibited from using the U.S. currency, and faces a bar on trade in cars, metals and minerals.
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- Further, “Rial” lost over 50% of its value this year, pushing up prices and compelling consumers to convert their savings into gold and other assets.
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- **Political -** Iranian Finance Minister and Central bank governor were removed recently for failing to handle the currency situation effectively.
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- These actions have helped a little to subdue public anger against high inflation and alleged corruption, but the situation is far from addressed.
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- The crisis has also upended the hand of extremist views within Iran’s polity, thereby directly affecting President Rouhani’s popularity.
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How does the future look?

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- **Internal -** Iranian Central Bank has announced a relaxation of foreign exchange rules to enhance access hard money for essential purchases.
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- But with the next round of sanctions (to curb Iran's oil exports and financial dealings) slated to kick in by November, the future looks bleak.
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- **International -** With tensions rising, there is speculation that Iran might blockade the vital Strait of Hormuz (33% of world's oil supplies flow here).
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- This might create a worldwide panic and generate a situation akin to the oil shocks of the 1970s, which is undesirable.
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- Direct confrontation isn't on anybody's cards, and a renewed nuclear deal also looks unlikely, thereby indicating the likelihood of a prolonged stalemate.
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- **Hope -** Considering the likely fallouts, European Union (EU) and other international players should engage to ease the tensions between both sides.
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- Even a small relaxation in U.S. sanctions might help in easing tensions within Iran, an option that is possible despite Trump's inconsistent policy stands.
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Source: The Hindu

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