

# Mirage Named INSTEX and the Iran Sanctions Regime: Review over European JCPOA Report

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*In fact, it is merely an accounting office established due to lack of banking relations between Iran and Europe. The issue proves that INSTEX is not capable of meeting Iran's least expectations considered in JCPOA.*

After withdrawal of Trump from the nuclear deal in May 2018, the Iranian government did not decide to reduce its commitments to JCPOA. Instead, on the way to guarantee its interests and preserve the nuclear deal, Iran preferred to act upon the deal unilaterally and kept negotiations with Europeans.

Talks with Europe started just a few days after withdrawal of the US from JCPOA. Europeans vowed that they would stand against US sanctions via fulfilling their commitments under JCPOA and to continue trading gold, precious metals and cars, purchasing oil and petrochemicals, having cooperation on ports and shipping sector, having banking ties and brokerage relations with Iran. Europe announced its four decisions to counter US sanctions, afterwards. The ones proved to be futile very soon.

Practicality of Europe's four promises

## *1. Having Blocking Statute operational*

The updated Blocking Statute- part of the EU's support for the continued full and effective implementation of JCPOA- was implemented on August 8, 2018. The act, however, can be translated into a political gesture, since in practice it could not persuade European companies to stay in Iran and they started to leave the country one after another. The EU remained silent.

On November 10, 2018, Iranian Foreign Minister Mohammad Javad Zarif explained the reason Iran remained in JCPOA. "It is a fact that Europeans have not been able to fulfill their commitments to JCPOA but this does not do any harm to the benefits of the JCPOA and to international and regional peace."

## *2. Enabling European Investment Bank (EIB) to finance EU investment in Iran*

The EU ratified a plan on July 5, 2018, to ease finance activities of EIB in Iran. But it was not put into practice since EIB did not accord to act upon due to US sanctions.

## *3. Reinforcing non-stop cooperation with Iran on energy sector and SMEs*

Despite the made statements by Europeans, no specific result was obtained in this field.

#### *4. Investigating possibility of banking transactions with Iran's central bank*

After imposition of US sanctions on Iran, European banks, concerned about US' heavy fines and secondary sanctions, rejected all the banking transactions with Iran. They even quit doing transactions related to trade on non-sanctioned goods including food and medicine with the country.

Europeans took advantage of Iran's inactiveness against US sanctions and could keep Iran in JCPOA without paying any specific cost.

##### *Failure of SPV and Iran's passivity*

Europe established a barter system, Special Purpose Vehicle (SPV), to ease oil and trade financial transactions with Iran. The channel was supposed to become operational before US oil sanctions imposed on November 4, 2018. But the plan was defeated since no European country accepted to host it.

Despite Europeans' vows and announcements, SPV did not become operational even by the end of 2018 i.e. Iran spent months waiting for Europeans to make their promises.

##### *INSTEX less than Oil-for-Food Program (OIFP)*

Europe minimized SPV into from an exchange mechanism to what is called INSTEX, which is merely a trade instrument. No money is exchanged in INSTEX but it acts as an accounting office in where mortgages and debts among European companies and Iran are registered. Goods are swapped with oil without having any monetary transaction done.

In their joint statement on the last day of January, France, Germany and UK introduced the INSTEX which was aimed at facilitating legitimate trade between European economic operators and Iran and making exchange of basic goods including food and medical equipment and medicine between Iranian companies and foreign ones by circumventing the American banking system and currency. This was neither put into practice.

Eventually after almost a year of Iran's inactiveness, the country decided to reduce its commitments to JCPOA giving Europeans a 60-day ultimatum to fulfill their commitments.

On June 28, 2019, JCPOA joint commission announced that INSTEX had been made operational.

However, despite EU's promises after US withdrawal from JCPOA, INSTEX is only practical for trade of non-sanctioned goods, including food and medicine, while such types of goods are exempted from all types of sanctions due to humanitarian reasons. If the US wanted to implement a system to put its sanctions into practice, its supposed system would definitely be something exactly the same as INSTEX.

The European mechanism is much worse than what was applied in Iraq to swap oil for food in 1990s.

It is much more humiliating. Today, Europe's purchase of oil from Iran is near to zero and Iran should inject its oil revenues to INSTEX to be able to merely import food and medicine.

In addition, INSTEX is in contrast with JCPOA's appendix 2, which urged it to facilitate trading gold, precious metals, cars, purchasing oil and petrochemicals, having cooperation on ports and shipping sector, having banking ties and brokerage relations with Iran. It does not facilitate sales of Iranian oil and is not capable of meeting the least expectations of Iran under JCPOA.

Europe big brother for Iran's foreign trade

INSTEX would act as Europe's observatory mechanism on Iran's foreign trade in an economic war.

While its purchase of Iranian oil stands at zero, Europe requires Iran to inject its revenues from selling oil to China, Turkey, India and etc. into INSTEX to provide the country with food and medicine. This would give Europe an upper hand in controlling Iran's foreign trade transactions.

INSTEX an introduction to new banking, missile, regional JCPOAs

Europeans have established INSTEX under US sanctions and with humanitarian aims. They, however, have required Iran to implement FATF for having INSTEX fully implemented. In fact, Europe is using extortion against Iran.

This makes INSTEX an instrument for controlling Iran's missile capabilities and regional power, as well.

Today, that the European INSTEX has failed to secure Iran's minimum expectations in oil and banking sectors – as stated in the State Security Council's statement.

The Islamic Republic of Iran should take the second step about JCPOA to make the other side fulfill its commitments. Otherwise, no achievements would there for Iran and its authority would be questioned.

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