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IRAN AND THE WEST:
IN CONVERSATION WITH
LORD LAMONT OF
LERWICK, UK TRADE
ENVOY TO IRAN



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— **THOUGHT LEADERSHIP**



IRAN AND THE WEST:

In conversation with Lord Lamont of Lerwick, UK trade envoy to Iran

The Rt Hon Lord Lamont of Lerwick, the UK Prime Minister's trade envoy to Iran, gave the third annual lecture for the Energy and Natural Resources Law Institute at Queen Mary University of London. The event was sponsored by Clifford Chance and, in this extract, Lord Lamont talks about the challenges and opportunities presented by Iran's relationship with the West.

"I believe that we are coming up to possibly a very dangerous moment in relations between Iran and the West. I want to explore why Iran is as it is. The views are entirely my own, and some of you may disagree with them, but I think we don't spend enough time trying to see where other people are coming from. It was Russia that was once described by Winston Churchill as a riddle wrapped in a mystery inside an enigma. How much truer would that be of Iran? When people hear the name Iran, what do they think of? Some of them think of a mullah holding a Kalashnikov at Friday prayers and shouting "death to America" or perhaps other people think of the 2011 attack on the British Embassy in Tehran. And yet I'm sure many of you have had friends who've visited Iran and have come back with a totally different perception of the country and talk about its friendliness, the warmth of its people and indeed, among a very large section of the population, a very positive attitude towards the West.

After the 2016 nuclear agreement between Iran and the US, UK, France, China, Russia and Germany, which lifted economic sanctions, Iran appeared to be opening up. It is an energy superpower, with the second-largest gas reserves in the world and the fourth-largest oil reserves. It accounts for only one percent of international trade in gas, which shows the tremendous potential that there is, once it rejoins fully the international market. The Iranians have been trying to get their domestic production up to pre-sanctions levels – they're getting close to that with 3.9 million barrels a day. Compared

with other oil producers in the region, the Iranian economy is much more diverse. It has a manufacturing base, an automobile industry which is larger than Turkey's; it has a young, internet-savvy population and its own version of eBay. It also has what many people consider to be world-class universities.

The Islamic Republic was established after the Revolution in 1979 and, whatever we might think about the way in which it subsequently developed, we had difficulty in accepting that it was a genuinely popular revolution. Yet the evidence is there that it was exactly that. The Revolution was not just against the Shah, it was also against foreign intervention in the affairs of Iran and was supported not just by clerics and Islamists, but also by pragmatic politicians. From the Revolution onwards, there has been a continuing tension between hardliners and the more pragmatic elements. People voted for an Islamic Republic in a referendum but they probably didn't anticipate that it would be quite as restrictive and as authoritarian as it turned out to be. During the war between Iran and Iraq (1980-1988) power was centralised and individual liberty was more and more restricted. It is true that Iran had, and has to this day, a poor record in human rights. At the moment, the British Government is very concerned about the plight of Nazanin Zaghari-Ratcliffe, a dual British-Iranian citizen being held in jail in Iran.

I don't want to be accused of not acknowledging some of the defects or glossing over them. Iran is an

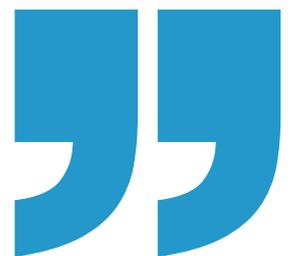
authoritarian country, but it also has a form of politics that is much more participatory than other countries in the region. It has Presidential elections and elections for the Parliament. It is true that the candidates are vetted, but there is fierce competition. Ultimate power in Iran rests with a religious figure, Ayatollah Khamenei, the Supreme Leader who, in turn, is elected by a body called the Assembly of Experts.

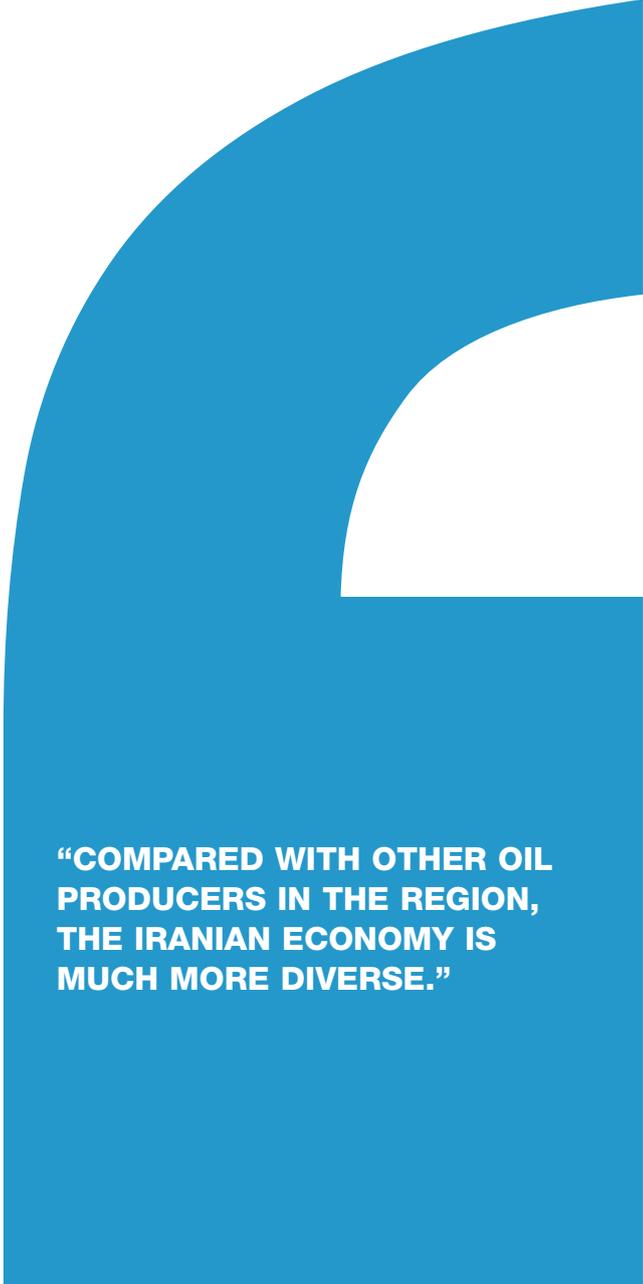
Iran is, relatively, quite a weak country militarily. It spends less on defence, by a long way, than Saudi Arabia or the UAE. I once heard the American General, David Petraeus, say that the Airforce of Iran could be wiped out in one morning by that of the UAE. Iran cancelled its nuclear programme immediately after the Revolution but then revived it in the latter stages of the Iran/Iraq War, which led to great suspicion on the part of the West and the imposition of sanctions which had a very considerable economic impact. I think most people in Iran probably supported the nuclear programme but disliked the isolation that followed. President Rouhani was elected on a platform to end Iran's isolation and enter into negotiations with the West. Agreement was reached in July 2015 and on 16 January 2016 (Implementation Day) the Joint and Comprehensive Plan of Action – the JCPOA – became effective.

President Obama regards the agreement as his greatest international achievement. It was subject to great criticism in the US Congress and there was fierce opposition from Israel and Saudi Arabia, but President Obama, with a small majority, was able to carry the day in Congress. However, President Trump has made no secret of his distaste for the deal. He described it as “a lousy deal” and has promised to tear it up. Many Republicans said they would kill it in Congress and James Mattis, the Defence Secretary, has made it clear that he has a very hostile view of Iran, as does the head of the CIA. It was not surprising that in the very first week of the new Congress, two bills were put forward proposing more sanctions on Iran.

Before President Obama left office, he renewed the Iran Sanctions Act, which is enabling legislation. It doesn't impose sanctions on Iran but it enables Congress and the President to do so. However, the President has to waive the bill every 120 days. President Trump has to make the decision whether he continues not to apply sanctions in April. I regard the JCPOA as a major foreign policy achievement both for multilateral diplomacy and also for both the Obama and Rouhani Administrations. It was criticised by some people as being inadequate but, in evaluating the deal, I think one has to remember that if the Iranian nuclear programme was regarded as a problem, there are only two ways of dealing with it. One is by a negotiated settlement, the other is by war or military intervention. I believe that the nuclear agreement cuts off all pathways to an Iranian nuclear weapon. Prior to the agreement, Iran had enough enriched uranium to build ten nuclear bombs. Now it has none. There is going to be 24/7 monitoring of Iran's facilities and inspectors have to have access to Iran's entire supply chain, from uranium mines in the mountains, right the way down to the enrichment plants. If Iran wanted to cheat, it would have to build a complete site supply chain which would be very difficult to do.

Iran has also confirmed its commitment to the Non-Proliferation Treaty in perpetuity. If at any time Iran is found not to have complied with the agreement there is a snap-back provision and sanctions can be reimposed at the behest of any one member of the six countries that negotiated the agreement. The International Atomic Energy Authority, which meets quarterly, has had four meetings since Implementation Day and agreed that Iran has fully complied with the requirements of the agreement. Iran has always strongly denied that its nuclear programme was for weapons purposes and even the CIA came to the conclusion that Iran had abandoned any attempt to weaponise its nuclear programme.





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One of the problems in the agreement was that all nuclear-related sanctions were lifted by the European Union but only some sanctions were lifted in the US. The US retained primary sanctions and this means that the European banks have become extremely reluctant to participate in Iranian business due to the huge fines issued by American regulators. The way in which a bank or an exporter might be caught out is if they accidentally dealt in dollars, if what they were buying or selling had any US content, if the computers they were using had US software, if there were US personnel in their company or if they accidentally found that they had sold something to an entity that was, in reality, owned by another entity that was owned by an entity that was described as a terrorist organisation by the US. It's very difficult for British or European companies wishing to trade with Iran actually to process a payment.

The result is that the Iranian Embassy in the UK cannot get a bank account here and the five Iranian banks in London cannot clear sterling or develop corresponding banking relationships with other banks in the UK. As a result, trade between Iran and Britain, and Europe has been very slow. It has also led to a very considerable degree of disillusionment in Iran. When the JCPOA was first signed, there was tremendous enthusiasm for it, now it is being described as being worth nothing more than ink on paper and some people wonder if it has lessened the chances of President Rouhani getting re-elected in May. The Supreme Leader was always very ambiguous and very unenthusiastic in his support for the deal and is now making remarks along the lines of: "I told you, you could not trust the West. I told you, you could not deal with the great Satan – you were bound to be outwitted." It fits the narrative that many Iranians have of the West and how the West has behaved in the past. My view is that it would be a tragedy if the agreement were scrapped.

Of course it's not so easy, even for President Trump just to tear the agreement up – it's not just between the US and Iran, it is between the UK, France, Germany, China, Russia and Iran. It is also an agreement which is registered at the United Nations and some of the sanctions that were lifted are UN sanctions, not US sanctions. However, if the US does attempt to tear up the agreement is there any way in which Europe and Britain could rescue it? Well, you might say well what's Britain's position going to be after Brexit? I don't believe that will really complicate matters, because the UK will still be part of the commission that monitors the agreement. Although the UK would not, after Brexit, be able to participate in the internal discussions of the EU, it would certainly be able to exchange ideas. I am sure we could find an institutional way of continuing to talk to each other and to act in a coordinated way.

I never expected in my post-House of Commons life to spend so much time arguing about Iran or pleading for more understanding, but I do believe that the nuclear agreement is worth fighting for. I do believe that the JCPOA is valuable in itself. Part of the argument for it was that it would lead, gradually, to an improvement in relations between Iran and America and Iran and the West. The hope was that it would happen gradually. Perhaps expectations were unrealistic, because it hasn't happened to a huge extent, although there has been some cooperation on some issues. Iran is capable of evolving. The revolutionaries have grown old and they have a young population that is impatient with some of the restrictions and want better relations with the West. I believe that commercial relations, increasing trade and international investment are ways in which countries become less suspicious of each other; the habit of cooperation develops and becomes embedded."

Lord Lamont of Lerwick

Lord Lamont of Lerwick is the UK Prime Minister's trade envoy to Iran. He was Chancellor of the Exchequer from 1990 to 1993 and was created a life peer in 1998.

Queen Mary, University of London, Centre for Commercial Law Studies



Centre for Commercial Law Studies

The Energy and Natural Resources Law Institute is a London-based Institute providing focus for the development of energy and natural resources law. The Institute provides practical and academic training of energy lawyers through its specialist Energy and Natural Resources Law LLM, practitioner training and events. Within the Centre for Commercial Law Studies at Queen Mary University of London, the Institute's aim is to be an international centre of academic excellence.

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London, E14 5JJ

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