

MIDDLE EAST | Q. AND A.

# With Iran Nuclear Deal Implemented, What Happens Next?

By **RICK GLADSTONE** JAN. 16, 2016

The International Atomic Energy Agency declared Saturday that Iran had fulfilled requirements to limit its nuclear activities, a step that automatically lifted nuclear-related economic sanctions imposed by the United Nations, European Union and United States. The move freed Iran to sell much more oil and gain control of roughly \$100 billion in impounded money, ending a prolonged isolation that has driven the country into a deep economic malaise.

The actions signaled what diplomats have called Implementation Day — the most important phase so far of the historic nuclear agreement, known as the Joint Comprehensive Plan of Action, that Iran reached with the major world powers on July 14.

President Obama praised the agreement in a televised address on Sunday but reiterated that it “was never intended to resolve all of our differences with Iran.” A few minutes later, he announced that the United States had imposed sanctions on several Iranian individuals and companies accused of violating United Nations restrictions on ballistic missile tests.

While the optics of the back-to-back sanctions announcements might seem to suggest that Washington was imposing new measures to make up for

those that were lifted Saturday, they are actually nowhere near comparable in scope.

**Q.** *Why did the agency's announcement automatically trigger the lifting of sanctions?*

**A.** The coordinated timing was an important face-saving element built into the nuclear accord to avoid giving the impression that Iran had capitulated to Western pressure before sanctions were lifted. Iran's supreme leader, Ayatollah Ali Khamenei, who has final authority over nuclear policy, had said the country would not regard the agreement as legitimate while the sanctions remained in force.

**Q.** *What did Iran do to comply?*

**A.** The International Atomic Energy Agency, the nuclear proliferation monitoring agency of the United Nations, had to verify that the following steps had been taken by Iran to ensure its atomic work remains peaceful, at least for 15 years:

Reducing its low-enriched uranium stockpile by 98 percent, leaving only about 660 pounds, an amount insufficient for weapons. The reduction was completed on Dec. 28, with the bulk of the uranium exported to Russia in a Russian ship.

Dismantling 12,000 centrifuges used to enrich uranium. Iran said it had completed that work in November.

Answering questions from international investigators about Iran's past nuclear work with "possible military dimensions." The International Atomic Energy Agency said on Dec. 15 that Iran had done so. Yukiya Amano, the agency's director general, announced that it had "no credible indications" of such work after 2009.

Removing and disabling the core of the nuclear reactor in Arak, which

could have produced roughly two weapons' worth of plutonium per year. Iran said it had completed that step this past week.

**Q.** *What sanctions were lifted?*

**A.** The European Union rescinded restrictions on trade and investment in oil, petrochemicals, metals, shipping, shipbuilding and other transportation industries, as well as banking, insurance and other related services, including Iran's ability to move money electronically overseas. Visa bans and asset freezes on companies and individuals were lifted for these industries and for some others related to nuclear, arms and ballistic missile activities.

Through President Obama's executive waiver authority, the United States halted the application of nuclear-related restrictions on Iran's financial, oil, gas, petrochemical, shipping, metal and automotive industries, which had severely impeded the country's ability to conduct business around the world. The United States also removed hundreds of individuals and companies from blacklists that had subjected them to asset freezes and other penalties.

The American steps included the creation of special licenses enabling United States manufacturers to sell civilian aircraft to Iran, which has one of the world's oldest fleets and is said to need 400 to 600 new planes.

The United States also will allow imports of Iranian carpets, pistachios, saffron and caviar, and — perhaps most important — it will permit foreign subsidiaries of American companies, with certain restrictions, to do business in Iran. That provision could lead to the legal sale of American products there.

Nonetheless, other American sanctions remain in force. The United States government regards Iran as a state sponsor of terrorism and an abuser of human rights. It also accuses Iran of meddling in the affairs of United States allies in the Middle East. A trade embargo still severely restricts most American business with Iran. While Iranian banks can buy and sell dollars, they cannot use the American banking system, an important conduit for global

commerce.

*Q. How quickly will Iran benefit economically from these changes?*

**A.** The most immediate benefit to Iran will be access to roughly \$100 billion of its money that was frozen in foreign accounts. Of that, outside analysts estimate roughly half already is committed to other obligations, like payments to foreign creditors. Iran also will be able to sell as much oil as it likes. But with the collapse of the oil market — prices have fallen 70 percent in the last 18 months — Iran will derive far less revenue than it had anticipated, and new Iranian sales could further depress prices.

More broadly, the lifting of the sanctions is expected to diminish a psychological cloud in Iran, even if it is not felt immediately. “Iran’s international logistics for banking and shipping and insurance was so ravaged by the sanctions that the relief they will get now, albeit not perfect, is a large step up,” said Farhad Alavi, a lawyer in Washington who specializes in sanctions and trade law.

*Q. How will the lifting of sanctions change relations with the United States?*

**A.** Economic relations, at least, are not expected to change much because of the other non-nuclear sanctions. Many American companies have little interest in navigating the complicated web of restrictions that remain in force for them. Critics of Iran in the United States who opposed the nuclear agreement have sought to emphasize what they call the resilient legal hazards for Americans.

“I don’t think you’re going to see a flood of business into Iran right now,” said Mark D. Wallace, the chief executive of United Against Nuclear Iran, a New York group that campaigned against the deal reached in July.

However, political relations, while still estranged after 35 years, showed

signs of easing even before Implementation Day. One of the starkest examples was Iran's seizure of 10 Navy sailors who had errantly trespassed into Iranian territory in the Persian Gulf last Tuesday and their release less than 24 hours later. While critics of the Obama administration said Iran scored a propaganda victory at America's expense, others said the speedy resolution reflected the close ties between Secretary of State John Kerry and Foreign Minister Mohammad Javad Zarif of Iran, forged over the nuclear negotiations. Mr. Kerry correctly predicted the sailors would be quickly freed.

"It helped that Kerry could call 1-800-Zarif and get an answer right away," said Cliff Kupchan, chairman of the Eurasia Group, a political risk consulting firm.

**Q.** *What about longer-term relations with the United States?*

**A.** It is premature to say. But under the nuclear deal, the United States is committed to taking legislative action that would permanently remove the sanctions, not just suspend their application — provided Iran sticks to its pledges.

Mr. Kupchan said he believed that the agreement would start a "slow, nonlinear thaw" between the two countries over the next few years. Even with Ayatollah Khamenei's deep-seated mistrust of the United States and the repressive force of the Islamic Revolutionary Guards Corps, Mr. Kupchan said, "the tectonic plates are going to move."

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