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The Trump Administration's Next Moves on the Iran Nuclear Deal

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Table of Contents

Executive Summary	2
The Trump Administration’s Next Moves on the Iran Nuclear Deal	3
1. January Deadlines	3
2. Background	4
3. October: Trump’s Iran Speech	5
4. Iran Responds	6
5. Congress and Europe	7
6. Decertification Reaps Success	8
7. Forecasting January	9
8. A New Variable—Protests in Iran	11
Conclusion	14

Executive Summary

In October, President Trump declined to certify the conditions stipulated in the Iran Nuclear Arms Review Act (INARA). This legislation gives Congress limited oversight regarding the 2015 nuclear arms agreement with Iran, officially known as the Joint Comprehensive Plan of Action (JCPOA). Trump found that suspension of sanctions was not “appropriate and proportionate” to the steps that Iran has taken to end its illicit nuclear activities and did not certify.

The action had immediate effect—sending the Iranian economy plummeting, and making European industry wary of re-entering the Iranian market. Most prominently, French energy giant Total put a hold on its \$2 billion deal to re-develop Iran’s South Pars gas field.

The Iranians were furious at the United States. In response, they targeted America’s allies, first the Kurdistan Regional Government in Iraq by overrunning Kirkuk, and then Saudi Arabia with a ballistic missile fired by Iran’s Yemeni clients, the Houthis. The Trump administration refrained from responding. When Saudi Arabia tried to compel Lebanese Prime Minister Saad Hariri to resign his post and thus stop legitimizing Lebanon’s Hezbollah-controlled government, the White House opted to play “honest broker” rather than taking the side of its ally in Riyadh.

In mid-January, the president will once again be called on to certify, and it is expected he will again decline for the same reasons. At the same time, the president is required to send a letter to congress waiving key sanctions on Iran’s Central Bank and oil sector. If he does not waive sanctions, Iran is nearly certain to leave the deal. If he does sign the letter, without any further qualification, Iran and its prospective European partners will assume that, regardless of his de-certifying, sanctions will not be re-imposed and it is safe for business in Iran.

A new variable in the equation is the protest movement that, since its beginning at the end of December, has spread throughout Iran. The source of the unrest is the financial sector, including the Central Bank of Iran. Hundreds of thousands of Iranians lost their savings when credit and savings institutions owned by regime figures went bankrupt. Many of the protesters were targeted by what was effectively a Ponzi scheme engineered by regime associates. “The protests,” according to a senior Trump administration official, “are affecting Trump’s thinking for sure.”

The administration wants to send the right message to the protesters. However, if the president signs the letter waiving sanctions on the Central Bank and other financial institutions, he is likely to be sending exactly the wrong message—that the United States has taken the side of the regime that stole their money.

The Trump Administration's Next Moves on the Iran Nuclear Deal

1. January Deadlines

In mid-January, the Trump administration will face two important deadlines regarding the Joint Comprehensive Plan of Action (JCPOA).

The president will be required to certify whether Iran has met conditions stipulated by the Iran Nuclear Arms Review Act (INARA). According to the bill, the president must decide whether to certify every 90 days. In October, he declined to certify, reasoning that suspension of sanctions was not “appropriate and proportionate” to the steps that Iran has taken to end its illicit nuclear activities.

The other key January deadline runs on a 120-day cycle. On January 12, the president is due to sign a letter renewing waivers on key sanctions enumerated in the 2012 National Defense Authorization Act, including sanctions on oil export and the Central Bank of Iran.

Trump is expected to decline again to certify on the same basis as October. This may put the administration in a peculiar situation. If sanctions relief is not appropriate and proportionate, how can the president sign a waiver for what are considered Washington's most meaningful sanctions on Iran?

If the president does renew the waiver, the apparent contradiction suggests the decertification is simply pro forma, and that the administration intends to take no further serious action to undo the nuclear deal. Without the threat of sanctions, European firms will become more willing to do business in Iran and the JCPOA will become more firmly entrenched.

If Trump does not waive the sanctions, if sanctions are re-imposed, and the United States does not keep up its end of the JCPOA, Iran is almost certain to walk out of the nuclear deal. Some warn, or fear, that military conflict with Iran is then inevitable. At the very least, it opens up a problem many in the Trump administration would prefer not to deal with. Even if the Obama administration's ostensible signature foreign initiative was merely a matter of slowing down Iran's march to a bomb, the problem had at least been moved aside, at least temporarily. With much of the national security architecture of the administration focused right now on North Korea, the administration would prefer not to have to re-open the Iranian nuclear file as well.

Re-imposing sanctions and crashing the deal forces the Trump White House to deal squarely with the nuclear issue, which few in the administration want to do. Some because they believe the deal is at least palatable. Others, who believe the administration needs a more comprehensive strategy to counter Iranian aggression and expansion throughout the Middle East, think the JCPOA is essentially a distraction. It is the president himself who is most eager to exit the deal, not least to fulfill a campaign promise.

2. Background

a. The Joint Comprehensive Plan of Action

The Joint Comprehensive Plan of Action was President Barack Obama's signature foreign policy initiative. The product of several years of American diplomacy conducted with US allies in Europe, Asia, and the Middle East, the JCPOA is intended to block Iran's pathways to a nuclear bomb for a period of roughly a decade. From the period leading up to the time when the deal was reached in Vienna in July 2015 and through the present, there has been a lively debate concerning the deal's ability to prevent Iran from a nuclear breakout.

Going into the final negotiations, supporters of a deal with Iran argued that for all the deal's faults, the JCPOA was the best that could be gotten. Critics pointed to several holes in the deal, like access terms that greatly limited the IAEA's ability to investigate sites where Iran was suspected to have worked on military dimensions of its nuclear program and could do so in the future. The most notable flaw is the sunset clause, after which the deal would no longer be in effect and Iran would have a clear pathway to a bomb. As President Obama himself [explained](#), "What is a more relevant fear would be that in Year 13, 14, 15, they have advanced centrifuges that enrich uranium fairly rapidly, and at that point, the breakout times would have shrunk almost down to zero." That is, within a little more than a decade Iran will have the ability to make a nuclear weapon.

The general contours of the debate are the same after the deal, even with a change in administration. Supporters of the JCPOA argue that it is working: Iran, they note, does not have a bomb. Critics contend that Iran is cheating, perhaps not egregiously but measurably, and that anyway the sunset clause will make a nuclear Iran inevitable.

b. Iran Nuclear Arms Review Act

The Iran Nuclear Arms Review Act (INARA) was [signed into law](#) May 2015. More commonly referred to as Corker-Cardin, after the two senators, Bob Corker and Ben Cardin, who sponsored it, INARA is intended to give congress some oversight on the JCPOA. Accordingly, every 90 days the president is required to write a letter to congress certifying conditions stipulated in the bill. That:

- i. Iran is transparently, verifiably, and fully implementing the agreement, including all related technical or additional agreements;
- ii. Iran has not committed a material breach with respect to the agreement or, if Iran has committed a material breach, Iran has cured the material breach;
- iii. Iran has not taken any action, including covert action, that could significantly advance its nuclear weapons program;
- iv. Iran has not directly supported or carried out an act of terrorism against the United States or a United States person anywhere in the world; and
- v. suspension of sanctions related to Iran pursuant to the agreement is
 - I. appropriate and proportionate to the specific and verifiable measures taken by Iran with respect to terminating its illicit nuclear program; and
 - II. vital to the national security interests of the United States.

c. Sanctions Waivers: Oil Export Sanctions: Section 1245 of the 2012 National Defense Authorization Act Sanctioning Transactions with Iran's Central Bank

On December 31, 2011, Obama signed into [law](#) the [National Defense Authorization Act](#) (NDAA) for Fiscal Year 2012. Section 1245 of this statute requires the President to block the property and interests in property subject to U.S. jurisdiction of all Iranian financial institutions, including the Central Bank of Iran (CBI). It also aims to reduce Iranian oil revenues and discourage transactions with the CBI by providing for sanctions on foreign financial institutions that knowingly conduct or facilitate certain significant financial transactions with the CBI.

The law [provides](#) for the President to waive the sanctions for 120 days, renewable for successive 120-day periods, if the President determines that doing so is in the national security interest.

Many national security experts believe that this waiver is more important even than certification. As the *New York Times*' David Sanger [wrote](#) when Trump signed the waiver letter in September: It "was more consequential than the decision the president faces in October about whether to recertify to Congress that Iran is in compliance with the deal, which has no effect on the nuclear agreement itself."

Not signing the waiver letter means that the most potent sanctions, dealing with Iran's oil exports as well as its financial institutions, including the CBI, will once again be in place. Further, Iran may once again be removed from [SWIFT](#), the global transaction network, which would make it more difficult to make transactions with foreign banks. SWIFT cut off Iran in 2012, though it was [allowed to return](#) four years later in early 2016.

3. October: Trump's Iran Speech

In April and July, President Trump certified the conditions stipulated in the Iran Nuclear Arms Review Act—both times reluctantly. After the second time, he was reportedly frustrated that aides had failed to prepare him with any options to certification. After all, he'd criticized the JCPOA as "[the worst deal ever](#)." As he told the *Wall Street Journal* in a July [interview](#), "If it was up to me, I would have had them noncompliant 180 days ago." Trump deputies understood after October that when the next certification deadline came up, they'd better be able to present the commander-in-chief with options. He didn't intend to certify a third time.

In his October 13, 2017 speech, President Trump announced that he would not certify that the suspension of sanctions under the [JCPOA] is "appropriate and proportionate" to measures taken by Iran to terminate its illicit nuclear program. He further directed the "administration to work closely with Congress and our allies to address the deal's many serious flaws so that the Iranian regime can never threaten the world with nuclear weapons."

These flaws included the deal's sunset clause, the International Atomic Energy Agency's inability to access certain Iranian facilities, and Iran's ballistic missile program. While Trump was optimistic about House and Senate leaders working to amend INARA, he

warned that, “in the event we are not able to reach a solution working with Congress and our allies, then the agreement will be terminated.”

In calling on Congress and US allies, especially Europe, to address flaws in the JCPOA, Trump was also putting them on notice—he was on his way to dismantling the deal. If congressional and Senate Democrats wanted to preserve Barack Obama’s signature foreign policy triumph, they’d better help fix it. Same with the Europeans—if they were eager to re-enter what they perceived as a promising Iranian business environment, they had a stake in solving what the White House saw as problems. There was clearly another audience for Trump’s message as well—Iran. Trump was not willing to lock in the JCPOA and consolidate what his predecessor had laid out. Nor, he said, was he going to look the other way if the regime in Tehran acted out. And it did, almost immediately.

4. Iran Responds

On October 16, 2017, Iraqi forces launched an offensive to retake Kirkuk from the Kurdish Regional Government. Iraqi Prime Minister Haider al-Abadi said that the offensive was aimed at protecting national unity. He blamed it on the Kurdish referendum that came out heavily for independence, but the reality was a bit more complicated.

The Kurdistan Regional Government is a long-time American ally, now deemed central in Washington’s anti-ISIS campaign. The US government also considers Baghdad a US partner, even if it’s essentially controlled by Iran. Fighting alongside the Iraqi army in Kirkuk were Iranian-backed militias. Tehran made little effort to disguise its role in the conflict. IRGC-Quds Force commander Qassem Soleimani [had repeatedly warned](#) the Kurds to withdraw from Kirkuk. As one of his lieutenants told the Kurds on the eve of the operation, “If you resist, we will crush you and you will lose everything.”

Certainly, the Iranians were protecting regional assets—the region’s oil is a key concern—but they were also sending a message to the Trump administration: We will match your strong words with decisive action.

On November 4, another US ally came under Iranian pressure when the Houthis [fired](#) a ballistic missile at King Khalid Airport in Riyadh, Saudi Arabia. It was the fourth fired this year at Saudi Arabia, all of them, [according](#) to a UN report, designed and manufactured by the Houthis’ Persian Gulf patron, Iran.

The next day, November 5, Lebanese Prime Minister Saad Hariri [resigned](#) the premiership while he was visiting Riyadh. Saudi Arabia, Hariri’s former patron, was believed to have a role in Hariri’s decision, and was accused of destabilizing Lebanon for the purpose of contesting Iran’s role in Beirut, and perhaps fomenting war.

In fact, these charges were simply the fruit of a [pro-Iran disinformation campaign](#) that got a boost from the US press and partisan operatives keen to preserve Barack Obama’s regional architecture, including the JCPOA. Iran is the destabilizing force in Lebanon,

where its terrorist clone Hezbollah is at war with the country's two larger and more powerful neighbors, Israel and Syria's Sunni community.

President Trump is generally supportive of Saudi Arabia, and in particular Crown Prince Mohammed Bin Salman. Why didn't the administration defend its Saudi ally vis a vis Lebanon, now an Iranian satrapy? Secretary of State Rex Tillerson [warned](#) "against any party . . . using Lebanon as a venue for proxy conflicts or in any manner contributing to instability in that country." Tillerson's judicious phrasing—i.e., his refusal to single out Iran as the party destabilizing Lebanon—hardly disguises the fact that in less than a month, the United States failed three times to rise to Iran's challenge. After President Trump's speech October 13, the administration was unwilling to turn words into action.

5. Congress and Europe

Meanwhile, the two parties that Trump had urged to fix the deal were floundering. On Capitol Hill, Republican Senators Bob Corker and Tom Cotton [explained](#) that they sought to emend INARA, not the nuclear deal itself. Among the changes they proposed, sanctions would be automatically re-imposed if Iran were to come within a year of obtaining a nuclear weapon. Further, a bolstered INARA would deal with issues like Iran's ballistic missile program, its support for terrorism, as well as IAEA inspections of Iranian facilities. Perhaps most importantly, it would seek to deal with the JCPOA's sunset clause paving the way for an industrial-size nuclear arms program in the hands of a rogue regime within a little more than a decade.

Corker and Senator Ben Cardin's proposed legislation to fix INARA has gone nowhere. As expected, it was impossible to get eight Democratic Senators to join 52 Republicans on building a scheme laying out triggers for the automatic re-imposition of sanctions. Conversely, an Iran hawk like Cotton was not going to lend his name to the kind of watered-down legislation that would bring the Democrats on board.

As of this writing, January 9, 2018, it appears that the legislation is unlikely to become law. "Getting the bill through," says a source close to the discussions, "will require language that will make the bill toxic to Republicans like Cotton. Corker simply wants to create the impression of momentum so it can give the president a face-saving mechanism when it comes time to sign the sanctions waiver letter."

As for the Europeans, they made gestures about addressing certain issues. For instance, French President Emanuel Macron agrees in principle that the sunset clause is a problem. Paris has also talked about the ballistic missile issue and Iran's regional actions. Recently, State Department political directors met with their European counterparts, perhaps to work toward some sort of statement on the sunset clause and other key issues.

The concern is that both the State Department and European officials may be looking for a diplomatic process as cover to keep the JCPOA in place. The idea is that if there is a diplomatic process underway, one that proposes, for instance, to deal with the sunset

clause, then Trump will have to give diplomacy a chance to work—with the point of trapping the president in the diplomatic version of tar sand.

However, Trump has seen this play previously—so have the Iranians. Prior to the October certification deadline, the State Department proposed a diplomatic process with the Europeans that would deal with IAEA inspections and the sunset clause. Iran shot them down.

Europe is understandably concerned that Trump is inclined to blow the deal apart. Indeed the biggest Western investment since sanctions were relieved is now on hold—because of the fear that Trump may re-impose them.

6. Decertification Reaps Success

Prior to decertification in October, it seemed as though Iran was cruising back into the European market, and the psychology was that no one was going to be able to undo it, with the toughest sanctions put away in a locked box.

In July, French energy giant Total [signed](#) an agreement worth \$2 billion to develop Iran's South Pars gas field for a 50.1 per cent in the project. Iran's state news agency said the project would require total investment of about \$4.8 billion. Iran's energy ministry predicts the project will eventually produce \$54 billion worth of gas products, based on current prices.

However, after Trump's October 13 speech, Total put the deal on hold. "Either we can do the deal legally if there is a legal framework," [said](#) Total CEO Patrick Pouyanné. "If we cannot do that for legal reasons, because of [a] change of [the] regime of sanctions, then we have to revisit it."

Compounding Total's concerns is the fact that the company has increased its U.S. presence with the purchase of a stake in the Cameron LNG project in Louisiana, one of the first new gas export terminals in North America. "If there is a sanctions regime [on Iran], we have to look at it carefully," said Pouyanné. "We work in the U.S., we have assets in the U.S., we just acquired more assets in the U.S."

Total's actions are evidence that, contrary to the warnings of pro-JCPOA publicists, if given the choice between the American market and Iran's, Europe will choose the former.

Displeased by Total's decision, Iran's oil minister warned that the French company would lose all its investment if it pulled out of the deal. "If Total announces that it has the intention to leave the contract," [said](#) oil minister Bijan Zanganeh, "no capital will be returned to this company and no sum will be transferred to the company." "Decertification clearly had a positive impact," says one source familiar with the administration's debates on Iran policy. "The US gained leverage, economically and psychologically."

For Iran, by contrast, the economic news is bad. With inflation skyrocketing, the currency has reached new lows. In the middle of November, the exchange rate hit one US dollar for 41,100 Iranian rials, [marking an increase](#) of more than 500 rials in just under two weeks.

Even Iran's energy sector is reeling, offering discounts to retain existing buyers in Asia. "The threat of U.S. Congress sanctions has put pressure on Iran to 'firm up' markets via discounts and freight adjustments for its crude," [said](#) one industry consultant based in Singapore.

The key question then leading into January is if the Trump White House will further consolidate the considerable, albeit tactical, victories the October decertification earned. European capitals are now on alert: President Trump is serious about re-imposing stiff sanctions that would punish European investors. American allies can now be certain that Trump is not bluffing when he says he'll leave the JCPOA. Will the administration keep up the pressure?.

And there's another important, and related, question: Is the Trump administration prepared for the retaliatory measures Iran will take if the president continues to rattle Iran's business environment? Further steps that increase the prospect of biting sanctions and further economic pain for the regime will almost certainly be met with a strong response, targeting allies, again, and perhaps American interests directly.

7. Forecasting January

In mid-January, Trump will almost certainly decline to certify again, and for the same reasons—suspension of sanctions is not "appropriate and proportionate" to the steps that Iran has taken to end its illicit nuclear activities. Simply signing the letter to congress waiving sanctions relief will suggest that the administration does not intend to push the issue much further. On one hand, it is showing that it rebukes the deal and on the other, that it acknowledges there is no choice. Both the Iranians and their prospective European corporate partners will come to understand that for all the White House's sound and fury about the deal, the noise signifies nothing. The president will not re-impose sanctions, and it will be safe for them to start doing business once again with Iran. If that happens, the JCPOA will be on its way to getting locked in.

One possible solution that was under discussion, and since discarded, according to sources, was for the administration to re-interpret the distinction between nuclear and non-nuclear related sanctions. Under the JCPOA, the United States was obliged to lift the former while the latter were still kept in place. The advantage was that, without exiting the JCPOA, the administration would further escalate pressure on Iran, while warning Congress and the Europeans to fix problems with the deal.

The reality is that, but for the president, almost no one in the administration wants to leave the deal. Some agencies, like the State Department are keen to stay in the deal for the sake of preferring the known, however flawed, to the uncertainty that is certain to ensue should the JCPOA fall apart. Other institutions, like the Pentagon and National

Security Council staff, are said to be preparing to push more aggressively against Iran. And that's the reason they are keen to preserve the deal. They see it as a placeholder while they prepare a more comprehensive response to Iran, which may include military action as well.

This is a hopeful prospect, but doubtful. Secretary Mattis, for instance, is indeed troubled by Iranian actions around the region. The issue, however, is that the Pentagon has been tasked with the anti-ISIS campaign as its chief priority. Therefore, the preponderance of the Defense Department's resources have been detailed to this campaign, and to re-task them to confront Iran will be akin to turning around an oil tanker.

Further complicating the situation is the fact that during the anti-ISIS campaign, the Defense Department has regularly partnered with Iran's regional assets. These include the Iraqi military, supported by Iranian-backed militias, and the Lebanese Armed Forces, which at this point is a Hezbollah auxiliary. Confronting Iran will require the US military to turn on the very people it is now funding, training, and in some cases working with. In the past decade, starting with the Bush administration and through the Obama administration, have often warned that American troops in the Middle East could be targeted by Iran. This prospect has previously persuaded the Pentagon to lay off Iranian assets.

Thus, the Pentagon is unlikely to focus on an anti-Iran campaign unless specifically tasked by the White House. The chances of this appear to be slim, since President Trump has shown little interest in committing many military resources, including troops, to confront Iran's regional ambitions.

Here then is the peculiar paradox underlying the administration's Iran strategy—the president wants to get out of the JCPOA but seems uninterested in looking much past the nuclear deal. However, the principals—at least those currently staffing the administration—want to keep the JCPOA, some because they want time to prepare to contest Iran's regional ambitions.

Recent reports suggest that the White House may be working to remedy the situation. For several months now, CIA director Mike Pompeo has been rumored to be moving to the State Department, replacing Secretary Tillerson as America's top diplomat. Recent press reports appear to confirm the rumors. Though Trump later tweeted to explain that there was no change in personnel planned, other sources argue that it's a done deal.

Pompeo is keen to undo the JCPOA, as he made clear shortly after he was named CIA director. At the agency, he has been actively seeking ways to push back on Iran, [tasking](#) one of the CIA's senior officials, with extensive Middle East experience, as his point man. For nearly a year now, Pompeo has sat in on the presidential daily briefings at the White House, getting an hour every morning with President Trump. Much of their conversation is about Iran. If Pompeo moves to the State Department, he would have the president's support in prioritizing challenges. His appointment, says one source, would very much energize the Iran issue throughout the government.

Decertification in October provided the White House with a mechanism to pressure Iran. What happens next determines whether that pressure goes up or down. If the president decertifies, as expected, and signs the waiver letter, also as expected, Iran will have good reason to believe that decertification is simply political gamesmanship. The Europeans will draw the same conclusion, and restart trade with Iran. The question is how to prevent the JCPOA from becoming the status quo. The answer may be the waiver letter, its actual content.

8. A New Variable—Protests in Iran

Shortly before the new year, protests erupted in dozens of cities throughout Iran. As the January 12 deadline for renewing the sanctions waiver approaches, if the Trump administration wants to send a message to the protesters, waiving sanctions on the CBI and other financial institutions would be precisely the wrong message: The protests are a response to the fallout resulting from the country's corrupt financial sector, including the CBI.

In the wake of the July 2015 nuclear agreement, most Iran watchers were wildly optimistic about the Iranian economy and opportunities in a previously undertapped market. It was expected that an influx of European investment in key parts of the economy, like the oil and gas sector, would flood Iranian markets after years of US, UN, and EU sanctions scared away most foreign investment. But even while the nuclear agreement was being negotiated, trouble was already bubbling under the surface, in the financial sector.

The economic origins of the protests date back to before Hassan Rouhani was elected president in 2013. Under his predecessor Mahmoud Ahmadinejad, banks [started](#) making risky loans, and unauthorized lending companies started popping up all over the country. The loans were unpaid and the mostly unregulated lending companies proved incapable of paying off the unrealistic interest rates they promised. Many of the latter, which by some [estimates](#) accounted for nearly a quarter of the cash flow in the country's financial market, went [bankrupt](#), affecting millions of Iranians and sending thousands to the streets.

"For the past two years, we have witnessed street protests against banks and credit institutions," Tehran-based political analyst Mojtaba Mousavi [told](#) AFP recently. But not, of course, on the scale we're seeing now.

There were signs of bigger trouble. Economists were warning of a possible banking crisis since the summer. Some bankers called for a re-organization of the banking sector, recommending closures and mergers that would eliminate at least half the country's banks. "The government has to be gutsy, whether we like it or not, and shut down some of those banks," the chief executive of Middle East Bank, Parviz Aghili, [told](#) a Zurich audience in October.

It appears that very few were paying attention to the growing crisis. The regime in Tehran was clearly unprepared for the scope of the protests, and is now fighting off the protesters' growing insistence on removing the regime.

Many Iran experts note, correctly, that the protests are about much more than bread. When protesters chant against the leadership— "Death to Khamenei," Iran's Supreme Leader Ali Khamenei, or "We don't want an Islamic Republic, we want an Iranian Republic"—it is evidence that the protest movement is fundamentally political. However, economies under authoritarian regimes like the one in Tehran always reflect the country's political architecture. The allocation of financial resources and privileges is how an authoritarian regime dispenses political favors and indicates its political preferences. Protests about the economy are by definition protests against the political structure of the regime.

According to experts, it is the IRGC and other regime officials responsible for the collapse of Iran's financial sector. "Associates of the current regime took out huge loans from well-established banks, and they're not paying them back," says Iranian researcher Saeed Ghasseminejad, who specializes in Iran's financial sector. In other words, the regime essentially picked the pockets of ordinary Iranians, incapable of securing similar loans and whose deposits floated regime associates.

The regime targeted the money of middle-class Iranians directly as well, says Ghasseminejad. "Starting a few years ago, non-regulated credit or saving institutions sprang up all over Iran. Many of them were unregulated, and many were owned by regime figures. In fact, the Iranian judiciary itself opened up one of these credit institutions. These institutions offered enormous interest rates to investors, middle-class people who deposited much of their savings and expecting a huge return."

When the depositors wanted to withdraw some of their interest earnings, there was nothing there. When they tried to close their accounts, and withdraw their deposits, there was nothing there.

"It was like a huge Ponzi scheme," said Ghasseminejad. "When these institutions went bankrupt, the government did nothing. Hundreds of thousands of people, lost their savings. They were middle-class, and still are culturally, but the chain bankruptcies made them lower income. Many of them are on the streets now."

Before the protesters' anti-regime chants turned to the Supreme Leader, their ire was focused on the president of Iran's Central Bank, Valiollah Seif. According to Iran's [banking laws](#), the Central Bank of Iran is responsible for supervising banks and credit institutions. Why didn't the Central Bank monitor the loans leaving the well-established banks or close down the non-regulated financial institutions that set up the Ponzi scheme? "Because they're corrupt," says Ghasseminejad. "If Trump signs the waiver sanctions and doesn't go after the regime, it sends a bad signal," he says. "He's telling the protestors he's not going to put pressure on the regime."

Iranian officials are [expressing concern](#) that the United States is looking to withdraw from the deal. "The international community must be prepared for the US possibly pulling out of the JCPOA," Iran's deputy foreign minister Abbas Araghchi told an audience at the Tehran security conference January 8. "It's been more than a year that the US president has sought to destroy the JCPOA with all his efforts."

What worries Tehran is that Trump may seize the opening that the Iranian protestors have afforded him to get out of the deal. "The protests," according to a senior Trump administration official, "are affecting his thinking for sure." Trump wants out and the protests may be his window of opportunity. "The president said in October that he would be open to staying in the deal if you could fix its flaws," said the senior administration official. "He may decide we've made insufficient progress, and decide not to waive sanctions."

Since the protests began, a number of administration officials, including the president, have publicly messaged to the protesters to show that they're listening. Unlike the Obama administration, which virtually ignored the Iranian protestors who took to the streets in 2009, the Trump White House sees a strategic, as well as humanitarian, rationale for its messaging. Maybe, administration thinking holds, the protesters will solve a 40-year problem for US foreign policy by toppling an Iranian regime that regularly exports terror against US allies, from Israel to Saudi Arabia, and threatens war.

It turns out that signing the waiver letter might be exactly the wrong message. Relieving sanctions on the Central Bank will benefit only the regime, a ruling clique that through a corrupt financial sector has seized the hard-earned savings of ordinary Iranians. Sanctions relief cannot restructure the banking sector, and ensure that financial institutions comply with a Central Bank corrupt at its core. Nor can it reconfigure the political preferences of the regime, which puts the IRGC on the top of the country's financial pyramid, while leaving ordinary Iranians scurrying for scraps. The money will not restore their pilfered deposits, or put food on the table. It will simply further fill the pockets of the government officials and members of the IRGC who robbed them. The message it will send is that the White House has taken sides with the regime, against the protestors.

This is a message that the White House wishes to avoid sending, not least because it is the same message the Obama administration delivered in June 2009 when it ignored Iranian protestors who took to the streets to protest a rigged election. Obama had no desire to get on the wrong side of Iran's rulers, with whom he hoped to strike the nuclear deal, and cement his foreign policy legacy.

By contrast, the Trump White House wants very much to pressure the regime. "The Trump administration is a group of people who genuinely do believe that the Islamic Revolutionary Guard Corps, which runs the regime, is a disproportionately horrible actor," says a foreign policy expert close to the White House. "On a policy level, the administration wants to stick it to IRGC. And on a personal level, the president is disgusted by seeing this regime dragging protestors off to jail and shooting people in the streets."

The problem, say sources close to the White House, is that administration officials, including principals like Secretary of State Rex Tillerson and Defense Secretary James Mattis, believe that it's better to stay in the deal than risk untested waters. Last week Mattis [told](#) the press "I just don't think the protests will have any influence over my advice to the president one way or another" on sanctions.

"They say they're worried about alienating European partners who want us to stay in the deal," says a senior congressional adviser involved in deliberations. "But what the administration is really worried about is the unknown. With everything else on their plate, perhaps especially North Korea, they don't want to have to deal with Iran's nuclear file as well."

That leaves administration officials wondering how to go after the regime without risking the nuclear deal. One way to thread the needle, says a foreign policy official familiar with the debate inside the White House, is to impose targeted human rights sanctions. "The upside is that you can get Europe and the Democrats on board. And human rights sanctions sound tough," says the official. "But they are relatively insignificant. The question is whether the White House is willing to touch the assets and financial institutions that are enabling the regime to violate human rights—and test ballistic missiles, export terror and expand throughout the Middle East. If they don't, they will undercut the pressure and uncertainty in the Iranian economy that Trump created by declining to certify the deal in October. And that means not signing the waiver and re-imposing Central Bank of Iran sanctions."

Conclusion

Trump's recognition of Jerusalem as the capital of Israel is evidence of his willingness to buck the foreign policy consensus—even against the wishes of his own aides. Further, the financial sector's role as a central cause of the upheavals are likely to shape the decision of a businessman like Trump. Relieving sanctions on the Central Bank will not alleviate the troubles of hundreds of thousands of protestors and send them back home in time for a hearty dinner. Rather, it will augment the accounts of the regime officials who stole from their fellow Iranians in the first place. Waiving sanctions will only tell those protestors that the president of the United States does not know why they are in the streets because he understands neither the rudimentary principles of finance nor human nature.

The regime cannot be fixed—nor, it seems, will congress and the Europeans fix the JCPOA. Trump wants out of this deal, and the men and women who have taken to the streets throughout Iran have given him an opportunity that may be too good to ignore.

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