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The Impact of Sanctions on Iran: An Effective Policy?

Submitted to Professor Peter Jones

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## **Abstract**

This Major Research Paper analyzes the theory and practice of sanctions on Iran. The focus of this paper is to evaluate the effectiveness of sanctions as a tool of foreign policy to impede Iran from pursuing its nuclear development program. The goal of the current sanctions as a whole is to impose enough financial and trade barriers on Iran to force them to give up their suspicious nuclear development program. To date, the sanctions imposed on Iran have reached an unprecedented level of international commitment. However the sanctions have not achieved the results desired by the international community. While the economy of the country is collapsing both as a result of sanctions and internal economic mismanagement, and there is growing amount of international pressure on Iran to put an end to its nuclear program, the ayatollahs of the Islamic Republic are reluctant to give in. Moreover, reformist Iranians (politicians, activists and ordinary citizens) are losing economic and political power within the country. According to recent reports by the International Atomic Energy Agency (IAEA), time is running out before Iran develops nuclear weapons capabilities. The potential of a war between Israel and Iran is increasing as the former will not accept a nuclear armed Iran.

## **Introduction:**

In modern history sanctions as a policy have been controversial. On the one hand, experts, academics and politicians alike have argued that as a means to bring pressure on a particular government to change an undesired behavior, sanctions have generally not led to the desired changes while inflicting devastating consequences on innocent civilians. (Drezner 2011: 98) On the other hand, others will argue to the contrary that sanctions can be effective (and have perhaps been in the past) in changing an undesired behavior and that the pain inflicted on innocent civilians through sanctions is far less than that of war. Sanctions are essentially argued to be the lesser of two evils. (Doxey 1970: 529)

In October 2012, the US State Department spokeswoman, Victoria Nuland stated that the current sanctions regime against Iran consisted of some of “the most punishing sanctions we have ever been able to amass as an international community.” (Bozorgmehr 2012) With some of the most comprehensive sanctions imposed on any nation in history, Iran makes a great analytical case for evaluating the effectiveness of sanctions as a policy to change an undesired behavior of a state. This undesired behavior (i.e. Iran’s pursuit of a nuclear program) has generated fear and panic throughout the international community and particularly for Israel.

The history of Iran is marked by continuous invasions and the need to defend itself against foreign invasion. This includes its heyday as an Empire; “from Alexander the Great, from its Arab neighbors to the West from Turkish and Mongolian conquerors”, Iran was invaded constantly. (Satrapi 2003: introduction) Perhaps its modern history marks the worst of times as far as invasions are concerned. Iran was invaded in the early 19<sup>th</sup> century by the Tsarist regime in Russia and a major part of its territory was annexed. In the early part of the 20<sup>th</sup> century the Allied forces (US, Great Britain, and Soviet Union) invaded Iran during the two world wars and declared it as “neutral territory” (meaning they would use

the country's territorial and other resources to their strategic advantage) despite Iran's will to keep its territorial integrity. In 1953, a democratically elected Prime Minister Mohammad Mossadeq, who nationalized the oil industry, was forced out of office by an Anglo-American engineered coup. (Sick 2010: 129) This particular event in history is a dominant reason as to why the people of Iran are extremely wary of any foreign interference with their internal politics.

In 1979, the Iranian people finally mustered the courage to oust an oppressive Shah that they deemed a puppet favoring western interests and began a revolution. The revolution, some have argued, was hijacked by the Islamists as the clerics were not only the most organized opposition group against the Shah but their leader, Ayatollah Khomeini, was charismatic and appealed to both secular and religious Iranians. (Abrahamian 1982: 531) As it became clear the Iranian Revolution was quickly becoming an Islamic Revolution, Iran's neighbor Iraq, which has a large Shiite population, became nervous. Saddam Hussein became increasingly fearful that this revolution might encourage unhappy Iraqi Shiites to revolt against him. At the same time, Hussein recognized his advantage over a politically unstable Iran and decided to wage war and to reclaim the eastern Shatt al Arab waterway that he had given to the Shah five years earlier as a trade-off on a Kurd issue. (Baram 2012: 76) The West encouraged this attack as it was a means to stop the Islamic Republic from gaining power and becoming an alternative in the Middle East offering Islamist support (particularly for the Shiite minority). As early as 1983, "the United States [...] orchestrated Operation Staunch, a worldwide effort to block arms supplies to Iran, including the U.S. spare military parts for a military that had been trained and armed by the United States during the Monarchy." (Kemp 2010: 134)

Since the revolution of 1979, Iran has been in a major political collision with the US and its allies, leading to the country's political isolation by the West. In return, the Islamic regime has consistently taken a defensive tone and showed large amounts of hostility towards the US and its allies. Despite

being a signatory of the Nuclear Non-Proliferation Agreement, many Iranians keep in mind that there is a double standard in the region as they believe that Israel has the nuclear bomb and other nations such as Pakistan and India definitely possess it. Though it should be pointed out that India, Pakistan and Israel have not signed the Nuclear Non-Proliferation Agreement. Moreover, the political collision between Israel and Iran has instigated in the minds of many Iranians an important desire to possess military protection/power. (Cole 2010: 315) The tension with regional rival Saudi Arabia, who has claimed itself as the leader of the Muslim world and continues to treat Shiite Muslims brutally, has also been a contributing factor for Iranians to desire military protection/power. (Dannreuther 2003:35) Finally, another reason why the current regime is reluctant to let go of pursuing nuclear capabilities is that “the program may also [be...] a byproduct of the troubled revolution’s omnipresent need for legitimacy and the Iranian nationalism’s quest for respect and international status.” (Chubin 2010: 83)

With respect to the current sanctions imposed on Iran, my thesis is that, while they have been very effective in paralyzing the Iranian economy, they have not been effective in achieving their goal of changing the undesired behavior of the Islamic governments’ pursuit of a worrisome nuclear development program. Furthermore, the sanctions imposed on Iran have produced some contradictory results as they have severely weakened the opposition movement in Iran and enabled the radical Islamic factions of the Islamic government to gain more momentum.

## **Literature Review on Sanctions:**

Once upon a time, going to war was considered a heroic act by the Head of State. After WWII, waging war became illegal on a global scale. This change of norm in the international community would not resonate with every country. Tyrant leaders still remain and undesired state behaviors still persist. With the advancement of technology and the invention of nuclear bombs, the international community began to look at sanctions, specifically economic sanctions, as the newest “weapon” against any found “enemies”. Nearly six decades later, the debate over the definition of sanctions and their effectiveness is still an open debate.

### **Defining Sanctions:**

There are several definitions of sanctions that have emerged over the last half century. Margaret Doxey is one of the leading scholars on the theory of sanctions and therefore I will use her work as my main theoretical platform for this research paper while occasionally referring to other academics. Doxey defines sanctions in the context of a legal system “[as] negative measure[s] which seek to influence conduct by threatening and, if necessary, imposing penalties for non-conformity with law.” (Doxey 1972: 528) Her analysis suggests that the main objective of sanctions focuses on regulating and changing “state behavior in the interest of [...] the peaceful settlements of disputes” (Ibid). The objectives of sanctions are transparent in the Charter of the UN, which is the largest international governmental organization. Under Chapter VII of the UN Charter “the Security Council can take enforcement measures to maintain or restore international peace and security [through] measures [ranging] from economic and/or other sanctions not involving the use of armed force, to international military action.” (United Nations Security Council Sanctions Committee) The range of these actions

includes the enforcement of “comprehensive economic and trade sanctions and/or more targeted measures such as arms embargoes, travel bans, financial or diplomatic restrictions.” (Ibid)

Sanctions are often credited with playing a double role. The first role displays the authoritative demand made by a powerful nation such as the United States or a large international organization such as the UN. The second role is argued to be a motivator that will push a nation or particular actors within a nation “to choose alternative forms of conduct.” (Doxey 1972: 531) More often than not, sanctions tend to play the second role. Further to the dual role of sanctions, there are also two categories of sanctions: “smart” target sanctions and comprehensive sanctions. Targeted sanctions are meant to be well calculated as to only hurt the “elite supporters of the targeted regime, while imposing minimal hardship on the mass public.” (Drezner 2011: 96) In other words, the theory behind targeted sanctions is that by “alter[ing] the material incentives of powerful supporters [they] will eventually pressure the targeted government into making concessions.” (Ibid) On the other hand, comprehensive sanctions do not target one particular group. These sanctions are much more severe and aim to cripple a country in its entirety. As will become clearer throughout this paper, Iran began by dealing with targeted sanctions but is now firmly dealing with some of the most comprehensive sanctions ever imposed which inevitably make it one of the most interesting cases to discuss regarding the theory of sanctions.

### Setting measuring tools to assess the effectiveness of international sanctions:

According to Robert Pape, sanctions are successful “if they meet three criteria: “(1) the target state conceded to a significant part of the coercer’s demands; (2) economic sanctions were threatened or actually applied before the target changed its behavior; and (3) no more-credible explanation exists for the target’s change of behavior.” (Pape 1998: 70) Pape however seems to only address economic sanctions. Other political science theorists will also elude to the fact that “sanctions can be an effective only if they are part of an overall coherent policy including skilled diplomacy and, where appropriate, credible threats of additional force if compliance is not forthcoming.” (Elliot 1998: 58) Following Margaret Doxey’s definition of sanctions, we can deduce that the effectiveness of sanctions is directly correlated to whether or not the imposers of the sanctions have managed to change the undesired behavior and/or reinstate the desired norm in whatever timeline each specific case in question requires.

Doxey outlines four main contributing factors that are likely to produce a successful outcome of sanctions. First, the perpetrators of the sanctions must clearly communicate what norms have been violated and what the consequences of these violations are. Already it is important to note that while many states can agree that attacking an Embassy (as Iran has twice now) is a major violation of international norms, not all states may be able to agree on what shall be the consequence(s) of this violation. The potential disagreement in this first factor leads us to the second required element to the success of sanctions which consists of the level of commitment to the sanctions by the imposing states. In other words, if there are one or several nations who do not agree with the sanctions in their entirety then the sanctions will lose much of their effect. In the case of Iran, as we shall see later, disagreements between China, Russia, the EU, the UN, and the US have been one of the major blockades in the effectiveness of any sanctions imposed on the Iranian government. Third, Doxey also mentions that the level of competence to apply and impose sanctions by the given entity (i.e. either a state or international

institution) is directly correlated to the sanctions imposing entities' motivation to implement the sanctions. Equally important is the capability of sanctions imposing entities to realistically follow through with the decided policies. For example, the global economic crisis created a major impediment for the international community, the EU in particular, to cut Iran out of the global oil trade. The law of supply and demand indicates that as oil is a commodity that is always high in demand, reducing its supply would automatically mean a rise in its price; a rise in price that many governments undergoing a major economic crisis cannot afford. Thus, the global financial situation did not permit the international community to, until very recently, be able to significantly cut Iran out of the global oil supply without risking a substantial rise in oil prices. Fourth, the value of the sanctions estimated by the targeted state and the value of the undesired behavior to the sanctions imposing states are both key ingredients in determining the likelihood of the success of sanctions (Ibid). Moreover, "the estimated value of the behavior subject to sanctions" is the key ingredient in determining how severe sanctions or a round of sanctions should be. (United Nations Security Council) For example, in the case of Iran the severity of the sanctions imposed is directly linked to how much the international community believes it is important to impede Iran from enriching uranium which could lead to the development of a nuclear weapon. Similarly, Iran will also do a cost-benefit analysis of the situation to evaluate whether the pursuit of its nuclear program brings in benefits that outweigh the costs of being heavily sanctioned.

Another important dimension to the effectiveness of sanctions is based fundamentally on the degree of legitimacy afforded to the government of the sanctioned state. To be clearer, Doxey explains that if a government is composed of illegitimate members (i.e. an authoritarian state) then sanctions are more likely to work because they will encourage "dissatisfied groups [...] to change the system by legal or illegal means" if the government in question does not conform to the demands of the international community. (Doxey 1979: 530) An example of when this theory may have held validity is when the

Tanzanian forces managed to intervene in Uganda in 1978 after a series of economic sanctions had been placed on this nation. This intervention played a crucial role in destabilizing Idi Amin. (Elliot 1998: 55) Nonetheless, many would argue that this can seem quite harsh as a theory when placed in a real context. In the case of Iran for instance, many sanctions imposed following the 2009 controversial elections were to encourage the so called “Green Movement”. Many citizens within Iran however argue that they are already suffering at the hands of their government which is ruthlessly crushing any protests or uprisings and to now have the international community shut them out as well is much more discouraging. What is perhaps missing from the theory is how sanctions shall work when there is an illegitimate government that is good at suppressing dissent and where citizens who are opposing cannot rise and overthrow the government. Iran in this case has three entities that suppress the opposition. One is a paramilitary, known as the Basij, which relies on government funding and support. A second is a quasi-military organization known as the Pasdaran, also known as the Islamic Revolutionary Guard Corps (IRGC), who is integrated in the government and has as its main mandate to uphold the revolutionary ideals. The third group is the Iranian military. (GlobalSecurity.Org) Thus, in the case of Iran an uprising by the opposition will not be as “easy” as in other authoritarian states. Doxey also notes that in the case of a legitimate government, since the population tends to support the state and its composition, “there is a groundwork of common values [... and therefore] one may reasonably expect voluntary adherence to group norms” (Doxey 1979: 532). In other words, Doxey suggests that when a state is legitimate the threat or imposition of sanctions is less likely to work.

Margaret Doxey’s definition of sanctions and her theoretical framework for effective sanctions was written over forty years ago however they are still consistent in 2012. In fact, Daniel Drezner notes that within the last thirty years nearly 80% of all international and unilateral sanctions have been comprehensive sanctions aimed at paralyzing the economy of authoritarian governments such as Iran.

(Drezner 2011: 100) Sanctions have been “a relatively effective tool of U.S. foreign policy” tool even though, during these three decades, the debate over the real effectiveness of sanctions has been inconclusive. (Elliot 1998: 51) Politicians, academics and the general public cannot agree on whether sanctions work or not. Even when the undesired behavior changes it has never yet been proven that it is the direct result of sanctions. The controversy does not end simply at whether or not sanctions are effective but whether or not they are humane, particularly comprehensive sanctions. For instance, while it is argued that comprehensive sanctions have been successful “in bringing about quicker end to civil war” (Drezner 2011: 100), many will point to the serious inhumane repercussions this will have on the innocent civilians. (UNSC Sanctions Committee) Targeted sanctions as one could imagine are less likely to result in the suffering of innocent civilians and therefore it is the first type of sanctions that are generally considered. Comprehensive sanctions however have a better reputation in terms of actually being effective. (Drezner 2011: 102) Nonetheless, while comprehensive sanctions are known for being more effective, they have a significant humanitarian cost attached to them. (Pape 1998: 76) In the current era of globalization and increased financial integration, it means that “comprehensive sanctions can be quite severe and can raise concerns about the humanitarian consequences for people in target countries who have little control over or influence on policies.” (Elliott 1998: 60)

The humanitarian consequences of comprehensive sanctions can perhaps be best understood through a past example such as Iraq which is deemed to be one of the most highly profiled cases of comprehensive sanctions imposed by the UN on a given country to date (perhaps Iran will be the next best example in the near future).- The international economic sanctions imposed on Iraq in the 1990s resulted in the deaths of over 560 000 Iraqi children, “compared with the reported 40,000 military and 5,000 civilian deaths during the 1991 Gulf War.” (Pape 1998: 76) Iraq, formally a secular country, had at one time the leading universities in the entire Middle Eastern region. Unfortunately, Iraq was also

famous for its tyrant leader Saddam Hussein who was deemed rational but unpredictable and more importantly, at times, he was undeterrable. (Baram 2012: 84). Moreover, Iraq was in pursuit of nuclear weapons and Hussein made no secret of his hatred towards Israel and the Jews. (Ibid: 80) Hussein also was not particularly keen on sharing information pertaining to his weapons production with the international community. By hiding information, Hussein aroused fear and suspicion and the US and international community accused Iraq of hiding the development of weapons of mass destruction (WMD). Not wanting to go to war with Iraq immediately, the international community began imposing a series of infamous comprehensive sanctions with the ultimate goal of utterly crippling Iraq's economy. (Ibid: 86) The effects of the sanctions on Iraq became controversial for multiple reasons. Firstly, while sanctions are largely seen as being the denominating factor in impeding Saddam Hussein from pursuing the development of WMD, the George Bush administration refused to believe it, therefore, the sanctions did not prevent the outcome of war. Secondly, during the sanctions regime imposed on Iraq millions of innocent Iraqi children died from hunger as the country's GDP was cut nearly into half. Thirdly, as the UN tried to reduce the number of deaths through the Oil for Food program, the spread of corruption due to sanctions became obvious as they had compromised the rule of law. Moreover, it was discovered that "sanctions do not just weaken the rule of law in the target country- they weaken the rule of law in bordering countries and monitoring organizations as well". (Drezner 2011: 98) In short, the comprehensive sanctions imposed on Iraq had disastrous humanitarian effects and they did not reach their policy goals because despite impeding Saddam from developing WMD a war erupted, making a bad situation worse.

## **History of sanctions on Iran**

On November 4<sup>th</sup>, 1979, a group of Iranian radical students took 52 American citizens hostage at the U.S. Embassy for 444 days. This marked the beginning of the infamous official drift between the U.S. and Iran. In an effort to use sanctions as a tool to free the hostages, President Carter froze \$ 12 billion in bank deposits, gold and other assets as well as many trade activities with Iran. Since this period, Iran became increasingly isolated from the international community both politically and economically.

It is only in 1996 however, as Iran began to open its doors to foreign investors once again that the US initiated the next level of economic sanctions against Iran which were called the Iran Sanctions Act (ISA). With the implementation of the ISA, numerous foreign firms were forced to choose between the US and Iranian market. (Katzman 2011: 50) Essentially, if a firm wanted to invest in Iran it would be penalized financially and this penalty was enough to persuade many companies to choose between these two markets. (Ibid: 1) In 2010, the ISA eventually developed into set a set of comprehensive sanctions called the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) which were aimed at crippling Iran's capability to make or import gasoline as well as discourage investment in Iran's energy sector which accounts for nearly 80% of the governments revenue. (Ibid) It is worth discussing how the sanctions regime intensified during this period (i.e. between 1996 and 2010).

After the election of Reformist President Khatami in 1998, while the US was becoming increasingly hostile with Iran, the EU began to change its tone and form of dialogue to a more constructive one. This shift in attitude on behalf of the EU was often attributed to the fact that "with a strong US security presence in Saudi Arabia and the smaller Gulf states, Europeans saw Iran as a strategic foothold and important source of Middle Eastern oil and gas, from which the United States had excluded itself." (Youngs 2006: 69) As the US intensified economic sanctions against Iran, "the EU

took a different approach and [became more] active in developing and sustaining policies towards Iran” in an effort to mediate relations between these two disagreeing nations. (Dryburgh 2008: 256) As the EU began to increase its political relations with Iran, it also sought to “increase consultation with Iran on the negotiation of a trade and cooperation agreement (TCA) in order to help stabilize the region surrounding Afghanistan.” (Dryburgh 2008: 258)

With the events of 9/11 and George Bush’s “Axis of Evil” speech, (Hadley 2010: 143) the mediating role of the EU was severely challenged. Many European politicians have stated that the EU gravely underestimated the US’s desire for regime change in Iran versus engagement with the Islamic Republic. (Posh 2010: 190) To make matters worse, near the end of 2002, the Iranian government declared that not only did it want to construct nuclear power plants but that it had been secretly developing a nuclear program for the past two decades. The desire for this nuclear program was initially instigated by the Iraqi attack on Iran. Although the Iranian government eventually shared this information with the international community, there was concern that Iran had kept this information secret for such a long period of time. Moreover, in the years following the announcement, the international community became very suspicious that Iran would now only pursue the development of “peaceful” nuclear energy, particularly since Tehran often failed to provide full details of its program to the IAEA. (Chubin 2010: 82) As a result, it can be argued that the pressure instigated by the US to sanction Iran began to weigh heavier on the rest of the international community’s shoulders. The general fear that Iran’s ultimate desire is to develop a nuclear bomb rather than create peaceful nuclear energy is well explained by the EU:

“Iran claims that its enrichment program is for civilian use, to make fuel for nuclear power reactors. This makes no sense. Iran possesses only one (unfinished) nuclear reactor, Bushehr, which would be supplied with Russian-made nuclear fuel for years to come. To build a nuclear reactor, Iran needs international

cooperation and 10 more years. Producing fuel now is like producing gasoline without having a car. How can you expect us, given Iran's concealment for so many years, [...] to believe in entirely peaceful intentions?" (European Union External Action-EU-Iran)

In 2004, the EU finalized the Paris Agreement with Iran in an effort to halt Iran's uranium enrichment program in exchange for proceeding with the Science and Technology Cooperation Agreement (TCA) negotiations. (Posh 2010: 191) Although at the time, the TCA was an incentive big enough for the Iranian government to concede to halting its enrichment program, a failure to communicate on the time process led to its nearly immediate failure. While the Iranian government had understood that the negotiation process over the TCA would take several months, the EU thought that this process would be spread out over several years. In the meantime, by 2005, the presidential election in Iran gave power to conservative president Mahmoud Ahmadinejad. With the conservatives taking the lead in the Iranian government, the TCA agreement was effectively dissolved. At the same time, the EU was struggling with the US who continuously refused to get on board with the EU's efforts to negotiate with Iran. This effectively made any kind of negotiation process with the Islamic Republic that much harder. In fact, the new conservative government in Iran was very skeptical of any further efforts initiated by the EU "in the absence of US engagement in negotiations [...]." (Mazzucelli 2007: 5) A frequent chant during parliamentary meetings in the Iranian government became "the Europeans will not decide for us." (Youngs 2006: 80) Within the EU itself, significant disagreements between different members, such as with Spain, Italy, Greece and the Netherlands, for being excluded from the negotiations with Iran, became a major issue.

In 2006, the conservative government of the Islamic Republic failed once again to provide information with regards to its nuclear program. (United States Institute of Peace, Posch) In addition, the government "significantly reduced the inspection rights of the International Atomic Energy Agency

(IAEA) with its refusal to continue implementing the Additional Protocol to the Nuclear Non-Proliferation (NPT).” (Albright and Stricker 2010: 77) This pushed the EU which was being criticized by the US, Iran, and its own members, to hand the Iranian file to the United Nations Security Council and the Iranian government responded by stating that it would no longer be willing to negotiate over their nuclear development program with the EU. This was a significant drift because, as we can observe, 2006 marks the year where international sanctions on Iran became increasingly substantial and comprehensive (Table 1: Significant Sanctions Events). As noted in Table 1, the first of four rounds of international sanctions were imposed on Iran in 2006. Resolution 1737 was created as a reaction to “Iran’s failure to halt uranium enrichment.” (United Nations Security Council Committee, 5612<sup>th</sup> Meeting) In sum this sanction demanded that “all States should prevent the supply, sale or transfer, for the use by or benefit of Iran, of related equipment and technology, if the State determined that such items would contribute to enrichment-related, reprocessing or heavy water related activities, for the development of a nuclear weapon delivery system.” (Ibid) The following three rounds of sanctions, notably Resolution 1747, 1803, and 1929, were all extensions of the first sanctions due to the “deep concern about Iran’s lack of compliance with its previous resolutions on ensuring the peaceful nature of its nuclear program” and their mandates expanded enough to implement an “arms embargo and [the] tightening of restrictions on financial and shipping enterprises related to ‘proliferation-sensitive activities’.” (United Nations Security Council Committee, 6335<sup>th</sup> Meeting) Resolution 1929 was imposed in 2010 after “Iran had been caught building a secret nuclear enrichment plant, deep inside a mountain on a military base near Qum.” (Sanger 2010) From the international community’s point of view, this violated Iran’s non-proliferation agreement that it signed with the International Atomic and Energy Agency (IAEA). (International Atomic and Energy Agency: March 2010) As previously mentioned, it is in this year that the ISA developed into the CISADA. We can observe that this is

essentially the year where many other nations took the decision to join on board with the US, who had long advocated that Iran was lying about its peaceful nuclear intentions. As observed in Table 1, outside of the UN and the EU (and of course the US), Canada, Japan, Australia and South Korea also placed some of the most important sanctions.

Eventually the CISADA started prohibiting “banking relationships with U.S. banks for any foreign bank that conducts transactions with Iran’s Revolutionary Guards or with Iranian entities sanctioned under the various U.N resolutions.” (Kaztman 2012: 41) By November 2011, the US Treasury Department named “the entire Iranian financial sector as a jurisdiction of primary money laundering concern” which led President Obama to sign the following month a Defense Authorization “preventing U.S. accounts with foreign banks that process transactions with Iran’s Central Bank.” (Ibid) While Canada and Britain had already decided to “bar their banks from any transaction with Iran[’s] Central Bank” in November of 2011 after a group of pro-government students raided the British Embassy in Tehran, the EU announced that it would place a “freeze on Iran[’s] Central Bank assets” the 23<sup>rd</sup> of January 2012. (Ibid) By March, the Brussels-based SWIFT announced the expulsion of “Iranian banks from the electric payment transfer system.” (Ibid) On July 1<sup>st</sup> 2012, the EU was finally ready to put into effect their oil embargo as “a response to U.S. legislation which penalizes any entity that deals with Iran’s Central Bank, through which Iran’s oil revenues have traditionally been channeled.” (Sadeghi-Boroujerdi 2012: 5)

With the global economic crisis still having ripple effects around the world, this was not an easy task for the EU to accomplish and, thus, proves to show a level of collective commitment and determination to render the sanctions regime as effective as possible. South Korea has also implemented a full oil embargo from Iran as of July. Japan on the other hand has reduced its oil purchases from Iran to nearly half of what it used to but is unlikely to be able cut back any more. The relationship between

Turkey and Iran has also reached an all-time low in 2012. It is debatable that their relationship will continue to plummet, as these two nations are not only neighbors but they also have an understanding on major issues such as the “Kurdish question”. (Ibid) With Iran’s involvement in assisting the current Syrian government however could end up further jeopardizing the Iranian-Turkish relations. (Ya’ar 2012) India, Iran’s third largest oil purchaser, has recently ended the 37 year joint venture between the Shipping Corp of India and the Islamic Republic of Iran Shipping Lines. (Ibid: 8) Saudi Arabia, Russia, Libya and Iraq will be filling in the oil trade gaps as much as possible over the next coming months in order to prevent potential rises in oil prices. (Ibid: 6)

While China’s growth is heavily dependent on Iranian oil, this nation is still in compliance with the international sanctions regime since it does not want to witness a nuclear armed Iran. China had complied with international sanctions with minimal effort until very recently. Many analysts have stated that it is not politically feasible for the US to sanction China for continuing to heavily buy Iranian oil. That said, China is still anything but immune to the international sanctions imposed on Iran. In fact, in September of 2012, Parliamentary Speaker Ali Larijani stated that sanctions have even been severely compromising trade relations with China. (Ibid: 8) Larijani’s speech comes after the “Chinese CNPC pulled out of the \$4.7 billion deal to develop the eleventh phase of South Pars [and] Iran also suspended a contract with a Chinese company to build a liquefied natural gas plant in the Persian Gulf port of Assaluyeh, valued at \$3.3 billion, because the Chinese group was unable to finance the project.” (Ibid)

The series of sanctions on Iran’s banking sector as well as the oil embargoes have been the most comprehensive and arguably harshest set of sanctions. As will be discussed in greater detail in the next section, we are currently in the midst of evaluating whether or not these will be the sanctions that will finally push Iran to end their nuclear ambition and force this nation to comply with the demands of the international community.

**Table 1: Significant Sanctions on Iran since 1979**

Year (Name)	Type of Sanctions	Countries involved	Cooperation	Goal/Target
1979 (Hostage crisis)	Asset freeze and unilateral US sanctions	US	No UN Security Council Support; some bilateral support from allies	Free hostages, protect U.S. property claims against Iran
1996 Iran Sanctions Act	Sanctions on foreign firms doing business with Iran	US	History of avoidance by most foreign firms	Lower international investment in Iran's energy sector
December 2006 (UNSC Resolution 1737)	Multilateral	UN Security Council- China, France, Russia, UK, US	Applies to all countries; countries are required to report to sanctions committee steps take to adjust to sanctions	Military, trade, and financial measure in relation to the Islamic Revolutionary Guard Corps; targeting Iran's nuclear program.
March 2007 (UNSC Resolution 1747)				
March 2008 (UNSC Resolution 1803)				
June 2010 (UNSC Resolution 1929)				
March 2009 Renewal of Executive Order 12959 (by President Obama- this was initially created back in 1995)	Banned U.S. trade with and investment in Iran	US	US only	Nuclear program and terrorist support
2009- Iran Refined Petroleum Sanctions Act		US		Expanded sanctions under ISA of 1996 by adding restrictions on trade of gasoline with Iran by foreign companies & sanctions on human rights violations
July 2010	Unilateral	Canada	Global cooperation picked up steam in 2010 in a slew of unilateral sanctions	Restricts export of nuclear materials and technology to Iran
July 2010		EU		Restricted EU involvement with Iran's energy sector and restricted trade financing and banking relationships
September 2010	Unilateral	Japan		Similar to EU sanctions
September 2010	Unilateral	South Korea		Similar to EU sanctions
July 2010	Unilateral	Australia		Banking, shipping line, construction company
July 2010, Comprehensive Iran Sanctions, Accountability, and Divestment Act	Unilateral	US		Petroleum sector (reduction to \$20 million investment cut-off). Expanded sanctions under the Iran Refined Petroleum Sanctions Act of 2009
September 2010	Unilateral	US		Elections and human rights abuses; Violent suppression of protests; Eight Iranian officials targeted who were involved in human rights abuses
November 2011 (Extension of CISADA to Iran's Central Bank)	Trilateral	US, Canada, England	Bar Iran's Central Bank from their banks transactions;	
January 2012		EU	EU freeze on Iran Central Bank Assets	
July 2012 : Oil Embargoes	Multilateral	UN, EU, allies countries		Cutting Iran out of the global oil trade. Force Iran to completely stop their nuclear program.

(Kenneth Katzman 2012: appendix)  
(Semira 2011: 19)

## **Evaluation of the effectiveness of sanctions on Iran**

Iran has been under sanctions for the past forty years by the US. The objectives of the international sanctions imposed on Iran can be broken down into three main desirable outcomes from the West. Firstly, these comprehensive sanctions are placed in hopes of forcing Iran to change its nuclear policy and to utterly prevent this nation from developing a military dimension to its nuclear ambitions or to even have access to fissile material that is highly enriched (which can in turn be used to develop a nuclear weapon in a relatively short span of time). Secondly, some Western politicians such as recent presidential candidate Mitt Romney, would like to see Iran completely abandon its nuclear enrichment program altogether and reduce their nuclear ambition to strictly a research level. Thirdly, these sanctions are aimed “to target the lifeblood of the Iranian regime, provoke civil unrest, and ultimately aid the regime’s overthrow.” (Sadeghi-Boroujerdi 2012: 4)

The first and third desired outcomes of the sanctions imposed on Iran are the most commonly discussed. The international community has clearly noted that the sanctions imposed on Iran are to encourage or pressure (depending on your point of view) the Islamic government to change an undesired behavior: enriching high percentages of uranium and not delivering transparency in their actions. So far, the international community has not succeeded in changing this undesired behavior. In order to perhaps better understand why sanctions on Iran have not yet been successful, we can apply the four theoretical factors deemed imperative for the success of sanctions as explained by Margaret Doxey.

The first condition deemed important for sanctions to be effective is to carefully explain what the international norms that are being violated are and what the penalties are. Although the international community has clearly explained to the Iranian government that it wants it to stop its uranium enrichment program, the former has not done such a great job at explaining what international norms the

latter has been violating until very recently. It is important to note that Iran is a signatory of the Nuclear Non-Proliferation Treaty; however this treaty does not impede Iran from using nuclear energy for peaceful purposes. In the eyes of the international community it may be clear that Iran's uranium enrichment program is a threat to international security as the Iranian government is largely viewed as using the context of a peaceful program to cheat their way to having nuclear weapons capability as reports of the International Atomic Energy Agency (IAEA) suggest (which will be discussed in greater detail). Through the perception of the Iranian government and its citizens however, this enrichment is within their national right and the sanctions imposed by the international community are largely seen as bullying. In fact, despite political division among the Iranian population, obtaining peaceful nuclear energy has been somewhat of a nationalist glue, and citizens whether pro- or anti-government, generally genuinely believe that this is the goal of the government and, consequently, extend a great deal of support for its pursuit. (Canadian Security Intelligence Services 2009: 20) Or at least this has been true in the past (we have no way of actually knowing what the public opinion is today as a whole in Iran with regards to the nuclear issue).

Until recently, it has not been completely clear to the Islamic Republic what are the consequences of their uranium enrichment program are. Reviewing the history of sanctions, we can clearly see that up until 2010, and more firmly in July of 2012, there was a lack of consistent communication with Iran as to what the consequences of continuing its uranium enrichment program were. Within the international community there have been "divisions over how best to convince Iran what the cost of continuing uranium enrichment" is. (Sanger 2010) As the international community struggled to communicate the extent of the consequences of Iran's actions until recently, the Iranian government could not have understood them either. Once the international community adopted the same tone and clearly communicated with the Iranian government what the consequences of continuing with

their nuclear program are, the effectiveness of international sanctions imposed on this nation increased substantially.

A major contributor to the international community increasing their stance against Iran has been due to the troubling reports of the IAEA. The IAEA is the organization that inspects Iranian uranium enrichment. The Iranian government however, does not trust this organization and has refused upon occasion to allow full inspections. (IAEA March 2010) This in return has created a wider spread of fear and doubt over Iran's true intentions with regards to uranium enrichment. The more the international community felt doubtful, the more pressure it laid on the Iranian government. The more pressure the Iranian government felt, the more defensive it got about its activities and, hence, somewhat of a vicious circle began. Moreover, on several occasions the IAEA has reported that from their compromised surveillances over Iran's nuclear program, there have been several instances where it discovered worrisome activities. (Adler 2010: 90) The most recent "leaked report by the [... IAEA] said that there were 2,784 centrifuges at Fordo, [...which is located...] deep under a mountain inside a military base near the holy city of Qom", "contain[s] 16 cascades producing medium-enriched uranium, which experts say could be enriched to about 90%, or weapons-grade, in a relatively short time." (BBC, November 12<sup>th</sup> 2012) The results of the IAEA's reports are thus inconclusive and "the agency was "unable... to conclude that all nuclear material in Iran is in peaceful activities"." (Ibid)

The second indicator of whether or not sanctions will be effective as explained by Doxey has to do with the level of commitment of sanction imposing states. As Lynne Dryburgh once explained, "if there is not a shared commitment there [is] no policy and [there can] certainly [be] no declaration of policy." (Dryburgh 2008: 257) Essentially, it is more or less clear that one of the main reasons as to why the sanctions against Iran have failed so far to halt the country's nuclear program can be attributed to the lack of agreement within the international community. This division within the international community

led to a lack of consistency in implementing sanctions, therefore rendering them less effective. While the U.S. began imposing sanctions on Iran back in 1979, the international community only began to impose or attempt to impose sanctions in a serious manner by 2006 as was previously discussed. Since the events of September 11<sup>th</sup>, 2001, Iran has become an even greater threat to global peace and security according to the US. The US has been the most adamant about wanting harsher sanctions against the Iran. The US has known all along that “in terms of effectiveness, multinational sanctions through the United Nations Security Council are most likely to be effective.” (Esfahani and Pesaran 2009: 210) It may come as no surprise that the US’s main challenge in convincing this international governmental organization to place stricter sanctions on Iran was largely due to the opposition by two of its permanent members: China and Russia. The latter two countries have significant economic ties with Iran, and until 2010 would halt any major attempts to impose comprehensive sanctions. With the discovery of a secret enrichment plant however, this attitude changed. With the international community growing increasingly worried about the Iran nuclear situation, many nations voiced their concern in the UNSC and passed a resolution (1929) to further extend the sanctions regime against Iran. The only three nations that did not vote in favor of resolution 1929 and defended Iran were Brazil, Turkey and Lebanon. Brazil and Turkey, in particular, stressed that the solution to the problem of Iran’s uranium enrichment is more likely to be achieved through diplomatic talks. In fact, these three countries (Brazil, Turkey, Iran) had signed the Tehran Declaration, “which aimed to provide nuclear fuel to the Tehran Nuclear Research Reactor,” and “had been approved by the highest Iranian officials as well as Parliament.” (United Nations Security Council, 6335<sup>th</sup> Meeting) Prior to this agreement, there had been no other accord which included a consensus from the entirety of the Iranian government. Turkey and Brazil exclaimed that the international community was missing an opportunity to truly solve this issue as sanctions have clearly not been helpful in terms of negotiating a consensus with Iran. Moreover, they

advocated that it was “rather unhelpful that the responses of the Vienna Group had been received only a few hours” before the UNSC gathered to declare that new sanctions will be imposed. (United Nations Security Council, 6335<sup>th</sup> Meeting) This only generated a greater amount of hostility between Iran and the international community.

Since 2010 the international community has increasingly come together in their commitment with regards to the sanctions imposed on Iran. In fact, in 2010 there was “a stream of announcements by major international firms [...] that they are exiting the Iranian market.” (Katzman 2011: Summary) Today, the Iranian government and its citizens are no longer denying that the sanctions are greatly affecting their economy (and perhaps even psychology). President Ahmadinejad made multiple public statements to the Iranian parliament at the end of 2011 stating that “international sanctions are causing serious problems for Iran’s banking sector” and that “Iran is shut out of the international banking system.” (Katzman 2012: 43) The Iranian government got visibly worried when India, Turkey, Kuwait and Russia all stopped selling refined oil to Iran. (Bozorgmehr 2010) Moreover, China, which is now Iran’s largest oil importer, has learned to use the sanctions to its advantage. Knowing that the US is unwilling to stand up to it for violating certain terms of the international sanctions and that Iran does not have the world of options to sell its oil to, “China cut its oil buys from Iran by about 50% for January, [...] in an attempt to force Iran to discount the oil it sells to China.” (Katzman 2012: 35) This inevitably does not amuse the Iranian government. The head of Iran-China Chamber of Commerce, Asadollah Asgarowladi has publically described the increasing dependency of Tehran on China (and Russia) as “driven more out of necessity than design.” (Sadegh-Boroujerdi 2012: 5) The same story applies similarly to India in the sense that it recognizes Iran’s desperation and has forced the latter to discount its oil prices.

Initially, the sanctions on Iran's Central Bank were seen primarily as psychological. (Habibi 2012) Seven months later however, the effects of these international sanctions on Iran's economy have become extremely alarming. Once the international community decided to cut Iran's Central Bank out of the international trading system, it effectively forced the Iranian Central Bank governor "to accept payment for oil in gold as well as the national currencies of customer countries." (Katzman 2012: 44) Returning to this semi-barter system of trade has left the Iranian Central Bank with a lack of hard currency which in turn has led to a serious devaluation of its own currency (and all the typical problems that follow a rapidly depreciating currency such as general public panic). Now that the international community is more committed in their sanctions against Iran, the effects of these sanctions are becoming increasingly undeniable. President Ahmadinejad has recently stated that "the banking sanctions were "worse" than the oil sanctions in what he called a "hidden war, a very extensive and heavy war spread across the world" which is designed to "prevent Iran from spending or transferring its oil money, even when it can sell oil." (Bozorgmehr 2012)

Despite "the absence of data on the Gross Domestic Product (GDP) from the Central Bank in the last 3 years", many facts remain obvious. (Djavad, December 2011) The sanctions imposed on Iran's Central Bank have meant that this nation has much difficulty in obtaining foreign currency, which in the end has inevitably affected the ability of Iranian firms to trade and for the government to import necessary goods. The result has been that inflation rates have been estimated at nearly 22.2%, plaguing the government, consumers, and Iranian business owners. (Hallinan, July 2012) In June of 2012,"the price of chicken was up 30%, grains up 55.8%, fruits up 66.6%, and vegetables up 99.5%." (Ibid) Moreover, many Iranian banks and private money-exchange shops have had to stop selling the dollar and Euros and the Iranian Rial has fallen nearly 40%. (ibid)

The third ingredient deemed to make sanctions effective is the level of competence to apply and impose sanctions that have been created by the UN against Iran. As mentioned earlier, the level of competence is primarily composed of the level of motivation and capability of sanction agreeing states to implement the set of sanctions agreed upon. The EU in this case had arguably the hardest time agreeing to sanctions due to their motivation initially aimed at wanting to solve the problem with Iran rather than generating regime change as the US has. Moreover, the EU has been suffering from the economic crisis of 2007-2008 and until recently would argue that it was not capable of following through with certain sanctions (notably those that require it to cut its oil purchases from Iran and risk escalating oil prices). Nonetheless, as the EU came around and the rest of the international community picked up its commitment to impose sanctions on Iran, the level of competence has not been an issue.

The final indicator of the effectiveness of sanctions is the value of the sanction estimated by the targeted state. In other words, one must look at how the nation reacts to the impact of sanctions and also how much the international community values the “non-conforming conduct.” (Doxey 1970: 546) The international community, in its rhetoric anyways, has consistently stated that it would not tolerate a nuclear armed Iran. Judging by the increasing severity of sanctions and the increase in the international community’s level of commitment, it is safe to assume that the international community truly values Iran’s’ compliance to their demands with regards to their nuclear program. For the first time, in April 2012 during a two day talk in Istanbul about Iran’s nuclear program, the representatives of the Islamic Republic “reportedly demanded the EU embargo be delayed if Iran made certain commitments to limit its nuclear program.” (Katzman 2012: 32) Many experts and members of the US Administration argue “that Iran’s expressed willingness to bargain seriously indicated that sanctions are affecting leadership calculations.” (Katzman 2012: 42) In other words, perhaps the Iranian government no longer values the continuation of their nuclear program as the consequences of it are becoming far too great. The

estimated value attached to the nuclear program, however, varies considerably among the political elite Iran.

If we are going to discuss the values of the Islamic government of Iran and the political elite within this nation, we need to discuss whether it is a legitimate or illegitimate government, which is an important element that contributes to the efficiency of sanctions. Iran has a rich and proud history, but unfortunately democracy has not been a part of it yet. The political system of Iran is anything but simple and understanding the Iranian government's political motives is certainly not always as clear as one would like them to be. The concept of the Islamic Republic is to incorporate the features of a Republican (democratic) institution and an Islamic (divine) institution. There are elections held every 4 years for the people to vote for the president and for the 290 members of parliament. The people of Iran also vote for the 86 members of the Assembly of Experts. These elections are held to represent the voice of the people in the legislative, executive and judicial branches of the government. Parallel to the voice of the people however is the Supreme Leader, 12 members of the Guardian Council, Islamic Courts, the Revolutionary Guards (Pasdaran) and the Basij. The Supreme Leader, currently Ayatollah Ali Khamenei, is the representative of the Prophet Mohammad and has veto power over the executive and judicial authority. The only group of people who can technically overpower the Supreme Leader is the Assembly of Experts. The candidates for the Assembly of Experts however are nominated by the members of the Guardian Council who are all chosen by the Supreme Leader.

To make matters more complicated, two key decrees have occurred, since the birth of the Islamic Republic that have greatly weakened the voice of the people. First was the creation of the Expediency Council "made up of 22 to 30 members who try to resolve differences between the Guardian Council and parliament over legislation." (Brumberg 2010: 36) Since the Supreme Leader nominates who will be a member of the Expediency Council, the creation of this branch of government ultimately reduced the

power of parliament and thus the voice of the people. The second decree, issued by Khomeini in 1988, was the notion of the fatwa. (Ibid) The fatwa is essentially religious opinion and is used to increase the power of the Islamic aspect of the Iranian government. As Daniel Brumberg explains:

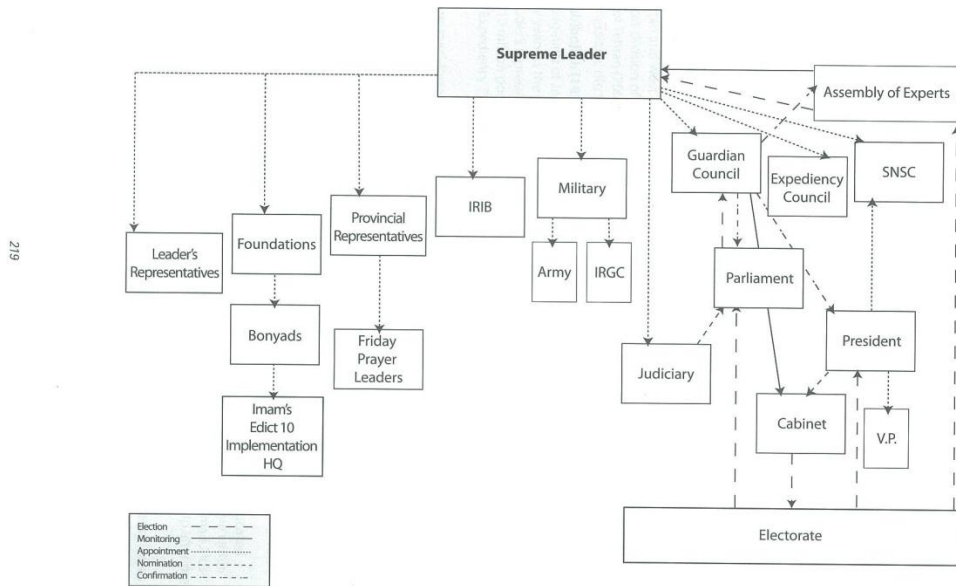
“The elected parliament, or Majles, was often at odds with appointed cleric bodies, especially the Guardian Council. The 12-member council regularly vetoes legislation passed by the 290-member parliament on vague grounds of being “un-Islamic.” Individuals or groups that criticized the system could be charged with being an enemy of the state and face possible imprisonment.” (Ibid)

While the two decrees were instigated by former Supreme Leader Khomeini to facilitate the democratic procedure of the Islamic Republic, the outcome has been the complete contrary. Before Khomeini passed away in 1989, his initial successor the Grand Ayatollah Montazeri was prevented from taking on the role of the supreme leader in Iran due to his disagreements with Khomeini over the questionable concentration of power given “to the supreme leader’s hands” (Jones 2011: 113) and, in particular, after contesting to “the execution of thousands of political prisoners in 1988.” (Khalaji 2010: 28) Khamenei took the role of the Supreme Leader despite “lacking Khomeini’s charisma and legitimacy” and lacking the Grand Ayatollah stature (Jones 2011: 111) Being publically criticized by the masses, Khamenei relied heavily on the IRGC (and Basij) “to cement his position”. As a consequence, it can be stated that currently “he has allowed them (the IRGC) to increase their power, [...] to the point that he no longer completely controls them.” (Ibid)

In order to understand more clearly the Iranian political system, consider this following map:

# Iran's Power Structure

Mehrzad Boroujerdi and Kourosh Rahimkhani



(Boroujerdi and Rahimkhani 2010: 219)

Over the years the legitimacy of the Islamic Republic has often been questioned. Even current president Ahmadinejad's religious mentor Ayatollah Mohammad Mesbah-Yazdi warned his disciples, "Accepting Islam is not compatible with democracy." (Brumberg 2010: 37) And while the Islamic Republic is not a totalitarian regime "it remains deeply authoritarian, patriarchal and ideological, and it deprives millions of citizens participation in the decisions concerning public life." (Bayat 2009: 47) Since the Islamic Republic gets most of its funds through oil sales versus taxation, and "energy accounts for about 80% of Iran's public revenue" (Hallinan, July 2012), the government enjoys "a significant degree of autonomy from society, which immunizes it from political pressure." (Hashemi & Postel 2010: xvii-xix) Equally important to note is that "beyond this fact, the Islamic Republic retains

ideological support in some poorer, rural areas of the country where people are more religiously pious and more dependent on the state-controlled media instead of the Internet or satellite TV”. (Ibid) As mentioned in the theoretical section of this paper, the Islamic Republic enjoys the support of the Basij, the Pasdaran and the military which, therefore, make any form of retaliation against the regime extremely difficult.

Arguably, the ultimate goal desired by the US from these sanctions is regime change in Iran. While it has never really been a secret that the US preferred the Shah to Ayatollah Khamenei as the Head of State of Iran, it was revealed in 2007 that the Bush administration had considerably increased funding for what they called the “democracy fund” initiative to promote “an American designed model [democratic movement....] that seeks the soft-toppling” of the Iranian government. (MacFarquhar 2007) In previous years, the US government invested only between \$1.5 million to \$11 million in such initiative (Azimi 2007), therefore, an increase \$66 million in 2007 and then another \$60 million invested in 2008 was alarming to the Iranian government. (Esfandiari 2009: 120) This initiative was largely viewed as yet another attempt by the Bush administration to provoke regime change in Iran. While it can be argued that this is not a significant sum of money to provoke a regime change in Iran, the result of US policies that target regime change, such as the democracy fund, have largely backfired as they have provided an excuse, and a push, for the Islamic radical conservatives of the Iranian government to obliterate any organization (i.e. NGO’s, political activists, newspapers) and individuals that can remotely be associated to these foreign threats. (Azimi: 2007) In the words of Nobel Peace Prize winner Shirin Ebadi, the democracy fund “‘created immense problems for Iranian reformists, democratic groups and human rights activists’ and had made it ‘more difficult for the more modern factions in Iran’s power hierarchy to argue for any accommodation with the West’.” (Esfandiari 2009: 121)

The events and violence following the presidential elections of 2009 decreased the legitimacy of the Iranian government in the eyes of the international community. Given the theory of sanctions, the decreasing legitimacy of the Iranian government was an even greater incentive to impose stronger, more comprehensive sanctions despite knowing that the Iranian government is very good at suppressing dissent. Kenneth Katzman explains that the increasing severity of sanctions imposed on Iran after the 2009 elections were partly attributed to encouraging the so-called “Green Movement”. (Katzman 2011: 48) This is a fairly controversial policy approach as it may appear fairly inhuman, not to mention that its effectiveness is highly questioned. The uprising in 2009 was crushed very brutally by the IRGC (along with the aid of the Basij and military) and many Iranians were thrown into prisons and/or executed. The sanctions imposed by the international community were placed at this time in hopes of drying up funds of the IRGC and reduce “the regime’s ability to monitor or censure Internet Communications” and ultimately create an advantage for the Green Movement to flourish. (Katzman 2011: 38)

Although the intent of wanting to back the Green Movement while reducing the power of the IRGC was the goal of the sanctions, the reality of their outcome is the complete contrary. While “financial restrictions [are predominantly imposed] on investments connected to Iran’s Revolutionary Guards”, (Cole 2010: 319) recent research shows “that sanctions are consolidating” the powers of the IRGC because it is companies that are “affiliated to the IRGC” that are getting contracts, increasing their influence and ultimately reducing the political and economic influence of their rivals (the reformists). (Sadeghi-Boroujerdi 2012: 10) Moreover, as the government continues to struggle with a rapidly depreciating currency, it has chosen to allocate its foreign currency reserves to what it considers most important such as providing “travel currency” for pilgrimage. (Ibid: 11) Parents who have sent their children to get a foreign education, on the other hand, “are forced to pay hefty commission” to transfer

money (on top of paying the terrible exchange rate) and students who were granted a government scholarship to study abroad have been asked to come back. (Ibid: 12)

Advocates of the sanctions will continue to claim that eventually Iran's economy will collapse and the proof is the dramatic changes we are currently seeing in its economy today. The changing economy of Iran however is not as directly linked to the effect of sanctions as we are sometimes led to believe. In fact Ali Larijani has recently stated "that only 20% of Iran's economic problems are the corollary of sanctions, while the remaining 80% find their provenance in government mismanagement." (Ibid, 16) Even before some of the most comprehensive sanctions were imposed in 2011, there was a motion to impeach the Minister of Economy because he failed "to prevent the biggest banking corruption scandal in the Islamic Republic's history." (Ibid) A reported \$2.6 billion dollars of forged documents "were used to buy stakes in state-owned companies." (The Economist, November 5<sup>th</sup>, 2011) Corruption, economic mismanagement and political factions make the Iranian government its own worst enemy. Western sanctions further accentuate these internal problems and, to that end, the Iranian government has so far made attempts to strengthen its economy and counter-effect the multiple negative economic impacts of the sanctions regime.

Many economists and experts on the issue have actually noted that the reduction in Iran's subsidy has been a positive outcome of the sanctions. These subsidies led to an extremely wasteful consumption of gasoline in particular. The initiative to phase out subsidies had been long pursued by many Iranian politicians however it was President Ahmadinejad who finally managed to convince the Iranian parliament to pass it as an urgency to counter the effects of sanctions. On December 19<sup>th</sup>, 2010, "the price of traditional bread immediately escalated to 40 cents, from 15 [...] and gasoline prices [began to] run on a tiered system in which a small increment is available only at a price of about \$1.60 per gallon, but amounts above that threshold are available only at a price of about \$2.60 per gallon, close

to the world price.” (Katzman 2012: 46) An IMF report showed in August 2011 that this subsidy “phase-out removed \$60 billion in costs from Iran’s budget.” (Ibid) The government has since conducted cash transfers to those who claim they need them (40 USD per month for lower and lower middle class, according to the official rate). (Katzman 2012: 46)

Some economists have pointed out that these “payments have had a positive impact upon the poorest sectors of Iranian society, helping them escape the international poverty line of \$2 per day.” (Sadeghi-Borujerdi 2012: 15) That said, it is important to understand that the Iranian economy is still declining rapidly. In fact, due to escalating rates of inflation and rapid rises in the prices of basic goods, the second round of the subsidy phase-out plan has been postponed by parliament. The Iranian government is currently attempting to maintain public order, often through the use of force. For example, the government is forcing price fixes on certain goods, sending inspectors to verify compliance and preventing the media from discussing any issues pertaining to the rise in prices. (Ibid: 18) The economy is in such turmoil that economists have pointed out that these cash transfers are almost pointless as inflation rates continue to skyrocket and the prices of basic goods are rising quickly, predominantly as a result of the international sanctions imposed on the CBI. In fact, Mahmood Bahmani, the current head of CBI, has recently stated that Iran is in “economic warfare” and that the economy is in worse shape today than it was during the Iran-Iraq war. (Ibid: 14) Even worse, many prominent political and religious leaders in Iran such as Ayatollah Alamhoda, the hardline Prayer leader in the holy city of Mashhad, have advised citizens to begin securing food in case the economy collapses as a whole in the future. (Ibid: 19) Even President Ahmadinejad has ordered that three months’ worth of basic necessities be secured, as a precautionary action in response to the pressures of sanctions. (Ibid: 17)

It is extremely difficult to know how the Iranian population has reacted to all these change in the sense that we cannot determine what the general level of support is for the Islamic regime. Through an

interview conducted with Dr. Rokhsana Bahramitash, who was the principle investigator for the World Bank project on Gender and Entrepreneurship in Iran, it became clearer what some of the other internal political effects of the sanctions and subsidy phase-out were. She explained that: “During my two months of field work interviewing low income women, my findings indicated that these women are disproportionately affected by the imposition of sanctions due to rising prices of basic goods. My research was on Islamist women, some support the government more than others, but all in all they have all acknowledged that they are more dependent on the government because of the cash transfers.” Moreover, her research indicated that Iranian women have entered into entrepreneurship on a major scale in the past 5 years as either owners or managing directors. They have primarily entered into the import and export businesses so sanctions have disproportionality affected them. The most recent sanctions imposed in July have led to the closure of many of these businesses, to the extent that her most valuable informant is going out of business. The blame for this hardship is placed by some on the government’s actions and by others on the international community.

## **Sanctions: the best policy option?**

Both the UN and US admit that the sanctions imposed on Iran to date have not “accomplished their core strategic objective of compelling Iran to limit Iran’s nuclear development to purely peaceful purposes.” (Kaztsman 2012: 42) Moreover, the stricter sanctions that were imposed on Iran to condemn the violence following the disputed elections of 2009 and the discovery of a hidden uranium enrichment facility in Qom have so far delivered disputed results. On the one hand, the Iranian economy is collapsing but on the other hand, the Green Movement has fallen off the international radar and the IRGC is becoming stronger both financially and politically. While it is easy to criticize sanctions as an ineffective foreign policy tool, it is not as easy to provide an alternative policy option.

When we consider what other policy options the international community has when dealing with Iran, we must consider the Iranian-Israeli relationship. When the Jewish state was first established in 1948, Iran and Israel shared a close relationship due to their mutual desire to keep pan-Arabism down and the Soviet influence out. (Simon 2010: 167) Even after the revolution, Iran purchased weapons secretly from Israel during the Iran-Iraq war until the mid-1980s. (Ibid) A distinctive turning point in their relationship occurred after Israel invaded Lebanon in 1982 and the Islamic Republic deployed the IRGC to help the Shiites in eastern Lebanon. (Ibid: 169) Iran’s backing of Hezbollah was a determining factor in forcing the Israeli withdrawal from Lebanon. The relationship between these two nations has since changed dramatically. More recently, Iranian President Ahmadinejad has earned a worldwide negative reputation for calling the Holocaust a myth created by the Europeans as a pretext to install the Jewish state in the Middle East for strategic reasons. Ahmadinejad is not the only public figure in the Middle East to have made such horrid comments about Israel. Within the region Israel has often been treated as a threat to peace and security. In return, Israel feels continuously threatened since the day it

came into existence. But then again, Israel is the only country in the Middle East to have nuclear weaponry and, as a consequence, has enjoyed a certain (upper) end of the balance of power within this region. (Waltz 2012: 2) This nation has also repeatedly dismissed any requests to join NPT signatories and make the Middle East a nuclear-free zone. (Cole 2010: 315) In fact, the Secretary General of the Gulf Cooperation Council has previously stated that to “not consider Israel a threat to security in the region is considered a biased policy that is based on a double standard.” (Canadian Security Intelligence Service 2009: 28)

Although Israel has a monopoly on nuclear weapons in the region, it still feels extremely threatened by the possibility of a nuclear Iran and has been pressuring the US to proceed to a military option as sanctions do not seem to be a strong enough deterrence. While Israel has bombed Syria in 2007 to prevent this nation from developing nuclear weapons, bombing Iran is likely to initiate a regional war. (Simon 2010: 169) It is equally important to comprehend that a military option does not guarantee a substantial setback to Iran’s nuclear program as some may assume, particularly since “many of Iran’s nuclear facilities are constructed partially or entirely underground.” (Albright and Stricker 2010: 81) Also, since many of the research and development centers of the nuclear program, including the manufacturing facilities of centrifuges, are dispersed and located in areas with a high population density, even a targeted military air strike is likely to take the lives of innocent civilians. (Ibid) Furthermore, at this point in time, “the U.S. intelligence community remains of the view that Iran has not yet made the fateful decision to build a bomb.” (Jones, Ottawa Citizen, 2012) A military attack, however, is likely to get the population to “rally around the flag” and provide support to the government who will, at that point, have a legitimate reason to actually pursue a nuclear weapons program. (Chubin 2010: 85)

When we think of potentially waging war with Iran over its nuclear program versus imposing sanctions, the latter option seems to be the lesser of two evils. But imposing sanctions to force Iran to

change its route, or as others have mentioned waging “economic warfare”, does not seem to be a great means to an end as the analysis in the previous section of this research paper has suggested. Former US Deputy National Security Advisor on Iraq and Afghanistan Maghan L. O’Sullivan is a known expert in the construction and anatomy of sanctions regimes and has remarked recently that “it is first important to acknowledge that sanctions almost never “work” when they make up the entirety of a strategy.” (Sadeghi-Boroujerdi 2012: 22) Containment (through the imposition of sanctions) will likely never succeed “unless the Iranian regime collapses or evolves into something quite different.” (Pollack 2010: 209) Regime change is definitely feared by the Islamic government of Iran. As Hossein Mousavian wrote in the Financial Times, “(there are) fears the West is looking for regime change in Tehran and making Iran vulnerable to invasion by its Arab neighbours.” (Mousavian 2012) Therefore, the Iranian government is likely to fight until the bitter end against the sanctions regime imposed on them. Consequently, cooperation with the international community from the Islamic Republic is unlikely if such strict sanctions are to remain.

A greater lean towards a policy of engagement and *fair* negotiations would probably be the best solution to this international predicament. Of course, engaging and negotiating with a nation like Iran is far easier said than done for multiple reasons. One of the main reasons often pronounced by the West is that the deep political instability within Iran makes any kind of negotiation virtually impossible as even a deal nearly tied down by the country’s president can go down the drain fairly rapidly. A prime example is when President Ahmadinejad backed out of “a tentative interim agreement”, produced out of talks between senior officials of the US and Iran, because of the immense pressure from both his own conservative government as well as “the reformist opposition.” (Dobbins 2010: 205) Engagement and negotiations come at a high political cost as the “domestic political limitations Obama and his Iranian counterparts face” are substantial. (Parsi 2012: ix) Consequently, in the case of the US, President Barack

Obama attempted to use both a policy of containment and a policy of engagement with Iran. But, it can be argued that President Obama and his “dual-track” policy went too far in trying to first be tough on Iran, as a basis of placing Iran in a more vulnerable position, before trying to negotiate and lost his opportunity in his first term. (Parsi 2012: 104-105) Now that Obama has been re-elected, however, there is renewed hope as many concede that the odds of negotiating with Iran are far greater with Obama than with a Republican like Mitt Romney. (Jones, Ottawa Citizen, 2012)

A negotiation deadlock is due to the fact that while the international community, notably Israel, demands the Iranian governments fully halts its nuclear development program before any negotiations can occur, the Supreme Leader Khamenei has stated that he would sooner die than stop Iran from exercising its right to peaceful uranium enrichment. (Mousavian: 2012) One major note that may seem obvious to some though not to others is that unlike the Shah, the current leaders of the Islamic Republic do not have anywhere to go if the regime collapses. In fact, Ayatollah Khamenei is possibly the only Head of State in the world to have never left his own country. Backing out on the nuclear program does not even seem to be an option that can be openly discussed. When a prominent Reformist political figure Abdollah Nuri argued that the country should hold a referendum to decide whether they should continue with the nuclear program or change the state’s policy “given the high cost which the regime and people have paid and severe pressure which Iran is under”, he was given a five year prison term by the Special Court of Clerics. (Sadeghi-Boroujerdi: 20) It is difficult to conceive how it is possible for the international community to negotiate with a government in which its own members cannot even internally discuss changing policies with regards to their own nuclear program without the fear of persecution.

John Limbert, an expert on the process of negotiation with Iran and a former hostage during the infamous takeover of the American embassy back in 1979, explains that Iran has often felt that it has

stood “alone against a hostile world.” (Limbert 2009: 159) This epitomizes Iran’s perspective on the tone and terms of negotiations, forcing Iran to accept its position as a weaker and unequal partner in agreements. Limbert asserts that Iran has often come under attack and has been marginalized by the international community (particularly the US) which has led the country to develop a general mistrust in international negotiations (which in turn has had an impact on Iran’s decision making process). Clearly, the ruling political elite as well as the major opposition (inside the country) are on the same note when it comes to any foreign invasion or attempt to interfere with Iran’s internal political affairs. In order to reduce this mistrust between the US and Iran, Trita Parsi, outlines some of the unwritten rules drawn out by Limbert that need to be abolished in order for diplomacy to succeed:

First, “never walk through an open door. Instead, bang your head against a wall.” Second, “never say yes to anything the other side proposes. Doing so will make you look weak.” Third, assume that the “other side is indefinitely hostile, devious, domineering and irrational. It is the embodiment of all that is evil.” Consequently, “anything the other side proposes must contain some kind of trick. Its only purpose in life is to cheat you.” And last but not least, “whenever you seem to be making progress, someone or some diabolic coincidence will mess it up.” (Parsi 2012: 235)

If the US continues to apply a harsh tone and advocate the imposition of such comprehensive sanctions on Iran, these “unwritten rules” are more likely to dominate over negotiation discussions, thus, preventing any talks from progressing into any acceptable deals. Mousavian, like many other experts in the field, notes that today’s talks should be based on “transparency measures to build confidence” and, more importantly, the US should create a policy of engagement rather than sanctions. (Mousavian 2012) The Iranian government must on its end own up to the fact that its secretive uranium enrichment activities have generated fear and mistrust among the international community and must be willing to adhere to much more invasive inspections by the IAEA.

A policy of engagement can start primarily with a face-saving solution for both the international community and Iran. The Islamic Republic would, in particular, need a face-saving proposal from the international community if it wants to retain any of the legitimacy it still holds among its citizens after they have put up with years of sanctions. The Iranian government recently offered, in May 2012, an (arguably) acceptable face-saving deal when it agreed to “convert one-third of its 20% enriched uranium into plants, making it almost impossible to use the fuel for nuclear weapons... [the normal requirement for an enrichment to be conducive to produce a nuclear bomb would be 90%...] In return the country has demanded the right to enrich to 3.5%- the level one needs to power a civilian reactor – and an end to sanctions.” (Hallinan 2012) The international community (i.e. the UN, EU, US and allied countries) however were not interested in this offer and continue to demand Iran to fully stop any type of enrichment without the promise to place an end to sanctions. (Ibid) But the international community, particularly the US and the EU, must understand that “negotiating whether Iran can or cannot have enrichment is no longer in the cards” and so far “the West has either refused to acknowledge [this] or sought to postpone [the process] until the end of negotiations.” (Parsi 2012: 237)

Assuming that the international community acknowledges this fact, former Revolutionary Guards commander during the Iran-Iraq War, Moshen Rezale has “suggested an “international consortium” as a possible compromise solution on the enrichment issue.” (Chubin 2010: 85) Others have voiced a similar opinion stating that a possible way to offer Iran peaceful nuclear energy while distancing this nation from its current questionable nuclear program is to “establish a consortium with other countries to manage [full] fuel-cycle activities within Iran, based on Ahmadinejad’s offer in September 2005, ratify the Protocol; and commit to co-operate with the IAEA on the removal of all remaining questions about its past nuclear activities.” (Mousavian 2012) This solution would allow Supreme Leader Khamenei to

redefine in an acceptable manner a successful outcome for the Iranian people as well as generate peace of mind for the international community with regards to Iran's worrisome nuclear program.

## **Conclusion:**

This paper has proven the initial thesis statement made that with respect to the current sanctions imposed on Iran, while they have been very effective in paralyzing the Iranian economy, they have not been effective in achieving their goal of changing the undesired behavior of the Islamic government's pursuit of a nuclear development program. Furthermore, the sanctions imposed on Iran have produced some contradictory results as they have severely weakened the opposition movement in Iran and enabled the radical Islamic factions of the government to gain more momentum.

As this research has suggested, the governmental structure of the Islamic Republic has been suffering since the two decrees made over two decades ago that have slowly but surely hindered the democratic aspect of the Islamic Republic. Many formerly conservative pro-revolutionary political figures, such as unsuccessful rival presidential candidate Mir Houssain Mousavi, have over these last two decades become pragmatists and reformists because they have understood that the current ideology of this regime is unsustainable. Reminiscent of the old Soviet Union days, it may be that this regime sooner or later will crumble from the top down with no international interference necessary. If this is thought to be true then we could easily argue through the theory of sanctions that the international political and economic isolation of Iran can only push this country over the edge. But as we discover in this research, the imposition of sanctions can be doing quite the opposite.

The sanctions, ironically and sadly, are in fact making the life of the Iranian (predominantly middle class moderate) people inside and outside the country subject to immense hardship. Iranians are being bullied by the Islamic Regime within the country and from foreign entities outside the country. For those who remain in Iran, it can be argued that the collective memory and bitterness over their historic subjugation to external invasions force many Iranians to resist rather than to concede. As mentioned in

the introduction, although this is not easy to prove it can also be assumed that Khamenei is putting up with the sanctions because it advances the goal of his regime that aligns with keeping the Iranian people isolated and away from western influence. Thus, in a twisted sense, Khamenei can be said to be a beneficiary of western imposed sanctions. While public discontent with the government's poor economic management has created widespread dissatisfaction among Iranian citizens, particularly merchants, sanctions imposed on Iran to force this nation to change a behavior that they so adamantly believe is their fundamental right has perhaps made people potentially support the government more than they would if they did not feel isolated by the international community.

The west has within the last few months consolidated their efforts to impose a series of comprehensive sanctions targeted at the CBI and Iran's oil industry. This has rendered, if existent, Iran's desire to produce a nuclear bomb significantly more difficult and costly. To put things into perspective, we must remember that "the average reactor [needed to develop a nuclear bomb] takes at least a decade to construct and a minimum of \$1 billion before start-up, with costs likely to increase with inflation and international sanctions." (Chubin 2010: 84) However, as mentioned in the introduction, even with the most comprehensive round of sanctions there is no guarantee that these sanctions will stop the regime from pursuing the alleged development of nuclear weapons. In fact, most recently Yukiya Amano, the director general of the IAEA, has "reinforced the view of many analysts that increased western economic pressure on Iran has failed to make it change its course." (The Irish Times, November 21<sup>st</sup> 2012)

Given the extreme internal political stability "it is doubtful that Ayatollah Khamenei, and Ahmadinejad's domestic critics, would favour the conclusion of a comprehensive deal with the P5+1, if it meant Ahmadinejad could claim it as a victory and capitalize on it domestically." (Sadeghi-Boroujerdi 2012: 23) A few days ago, however, in "an unprecedented[...] public and direct intervention in the

Majlis - Iran's parliament", Khamenei ordered members of parliament to stop questioning Ahmadinejad in order for the political climate to remain clam. (Usher 2012) Until this intervention, one would have said that the likelihood of a major deal between the international community and Iran will only happen following the 2013 presidential elections. While this may still be true, from now until the summer of 2013, serious talks that may lead "to a resolution of the issue", (Jones, Ottawa Citizen, 2012) can occur given the right political *will* exists. (Parsi 2012: x)

Time is of the essence on this issue. The most recent reports given by the IAEA have indicated that Iran will be capable of creating nuclear weapons by June if it continues on the same path as it has been. Currently, Iran and the six world powers (China, Russia, France, United Kingdom, Germany and the US) are discussing in Brussels how to diplomatically resolve this situation before it escalates to a war. (The Irish Times, November 21<sup>st</sup> 2012) We can all hope and pray that the outcome of these talks benefit the whole of the international community- Iran included.

## Appendix:

**Table 3. Comparison Between U.S., U.N., and EU and Allied Country Sanctions**

U.S. Sanctions	U.N. Sanctions	Implementation by EU and Some Allied Countries
<p>General Observation: Most sweeping sanctions on Iran of virtually any country in the world</p>	<p>refinery or petrochemical plant expansion or maintenance, or production or importation of gasoline.</p>	<p>Increasingly sweeping, but still intended to primarily target Iran's nuclear and other WMD programs. No mandatory sanctions on Iran's energy sector.</p>
<p>Ban on U.S. Trade with and Investment in Iran:</p> <p>Executive Order 12959 bans (with limited exceptions) U.S. firms from exporting to Iran, importing from Iran, or investing in Iran.</p> <p>There is an exemption for sales to Iran of food and medical products, but no trade financing or financing guarantees are permitted.</p>		<p>U.N. sanctions do not ban civilian trade with Iran or general civilian sector investment in Iran. Nor do U.N. sanctions mandate restrictions on provision of trade financing or financing guarantees by national export credit guarantee agencies.</p>
<p>Sanctions on Foreign Firms that Do Business With Iran's Energy Sector:</p> <p>The Iran Sanctions Act, P.L. 104-172 (as amended most recently by the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, P.L. 111-195)—and as enhanced by Executive Order 13590—mandates specified sanctions on foreign firms that invest threshold amounts in Iran's energy Sector or that sell certain threshold amounts of refined petroleum, or equipment or services for oil and gas development,</p>		<p>No U.N. equivalent exists. However, preambular language in Resolution 1929 "not[es] the potential connection between Iran's revenues derived from its energy sector and the funding of Iran's proliferation-sensitive nuclear activities." This wording is interpreted by most observers as providing U.N. support for countries who want to ban their companies from investing in Iran's energy sector.</p>

<p>EU abides by all U.N. sanctions on Iran, and new sanctions imposed by EU countries since July 27, 2010, closely aligns EU sanctions with those of the U.S.</p>	<p>nearly as extensive as the United States. EU trade with Iran restricted by Jan. 23, 2012, EU freeze on Tidewater port operator assets, complicating offloading of many goods at Iranian ports.</p>	<p>purchases from Iran, financing for energy sector projects in Iran, shipping insurance for tankers trade with Iran in petrochemicals and other energy sector equipment, and insurance for shipping of such products (oil, petrochemicals) from Iran.</p>
<p>Japan and South Korean sanctions also increasingly extensive.</p>	<p>As discussed, Japan and South Korea in the process of reducing oil purchases from Iran, but not ending them outright. Japan and South Korea also have banned medium- and long-term trade financing and financing guarantees.</p>	<p>Japanese and South Korean measures ban new energy projects in Iran and call for restraint on ongoing projects. South Korea in December 2011 cautioned its firms not to sell energy or petrochemical equipment to Iran.</p>
<p>No general EU ban on trade in civilian goods with Iran but, as a consequence of the January 23, 2012, EU move to ban purchases of oil from Iran and freeze assets of its Central Bank, EU sanctions are now</p>	<p>As of July 1, 2012, EU to ban oil</p>	

Iran Sanctions

U.S. Sanctions	U.N. Sanctions	Implementation by EU and Some Allied Countries
<p><b>Ban on Foreign Assistance:</b> U.S. foreign assistance to Iran—other than purely humanitarian aid—is banned under §620A of the Foreign Assistance Act. That section bans U.S. assistance to countries on the U.S. list of “state sponsors of terrorism.” Iran has been on this “terrorism list” since January 1984. Iran is also routinely denied direct U.S. foreign aid under the annual foreign operations appropriations acts (most recently in §7007 of division H of P.L. 111-8).</p>	<p>No U.N. equivalent</p>	<p>EU measures of July 27, 2010, ban grants, aid, and concessional loans to Iran. Also prohibit financing of enterprises involved in Iran’s energy sector.</p> <p>Japan and South Korea measures do not specifically ban aid or lending to Iran, but no such lending by these countries is under way.</p>
<p><b>Ban on Arms Exports to Iran:</b> Because Iran is on the “terrorism list,” it is ineligible for U.S. arms exports pursuant to §40 of the Arms Export Control Act (AECA, P.L. 95-92). The International Trafficking in Arms Regulations (ITAR, 22 CFR Part 126.1) also cite the President’s authority to control arms exports and to comply with U.N. Security Council Resolutions.</p>	<p>Under §1621 of the International Financial Institutions Act (P.L. 95-118), U.S. representatives to international financial institutions, such as the World Bank, are required to vote against loans to Iran by those institutions.</p>	<p>Resolution 1929 (operative paragraph 8) bans all U.N. member states from selling or supplying to Iran major weapons systems, including tanks, armored vehicles, combat aircraft, warships, and most missile systems, or related spare parts or advisory services for such weapons systems.</p>
<p><b>Restriction on Exports to Iran of “Dual Use Items”:</b> Primarily under §6(j) of the Export Administration Act (P.L. 96-72) and §38 of the Arms Export Control Act, there is a denial of license applications to sell Iran goods that could have military applications.</p>		<p>The U.N. Resolutions on Iran, cumulatively, ban the export of almost all dual-use items to Iran.</p>
<p><b>Sanctions Against International Lending to Iran:</b></p>		<p>Resolution 1747 (oper. paragraph 7)</p>

requests, but does not mandate, that countries and international financial institutions refrain from making grants or loans to Iran, except for development and humanitarian purposes.

EU sanctions include a comprehensive ban on sale to Iran of all types of military equipment, not just major combat systems.

No similar Japan and South Korean measures announced, but neither has exported arms to Iran.

EU bans the sales of dual use items to Iran, in line with U.N. resolutions.

Japan announced full adherence to strict export control regimes when evaluating sales to Iran. South Korea has adopted similar policies.

The July 27, 2010, measures prohibit EU members from providing grants, aid, and concessional loans to Iran, including through international financial institutions.

No specific similar Japan or South Korea measures announced.

		Implementation by EU and Some Allied Countries
U.S. Sanctions	U.N. Sanctions	
<p><b>Sanctions Against Foreign Firms that Sell Weapons of Mass Destruction-Related Technology to Iran:</b></p> <p>Several laws and regulations, including the Iran-Syria North Korea Nonproliferation Act (P.L. 106-178), the Iran-Iraq Arms Nonproliferation Act (P.L. 102-484) and Executive Order 13382 provide for sanctions against entities, Iranian or otherwise, that are determined to be involved in or supplying Iran's WMD programs (asset freezing, ban on transaction with the entity).</p> <p><b>Ban on Transactions With Terrorism Supporting Entities:</b></p> <p>Executive Order 13224 bans transactions with entities determined by the Administration to be supporting international terrorism. Numerous entities, including some of Iranian origin, have been so designated.</p>	<p><b>Travel Ban on Named Iranians:</b></p> <p>The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (P.L. 111-195) provides for a prohibition on travel to the U.S., blocking of U.S.-based property, and ban on transactions with Iranians determined to be involved in serious human rights abuses against Iranians since the June 12, 2009, presidential election there.</p> <p><b>Restrictions on Iranian Shipping:</b></p> <p>Under Executive Order 13382, the U.S. Treasury Department has named Islamic Republic of Iran Shipping Lines and several affiliated entities as entities whose U.S.-based property is to be frozen.</p>	<p>Resolution 1737 (oper. paragraph 12) imposes a worldwide freeze on the assets and property of Iranian entities named in an Annex to the Resolution. Each subsequent Resolution has expanded the list of Iranian entities subject to these sanctions.</p> <p>No direct equivalent, but Resolution 1747 (oper. paragraph 5) bans Iran from exporting any arms—a provision widely interpreted as trying to reduce Iran's material support to groups such as Lebanese Hizbollah, Hamas, Shiite militias in Iraq, and insurgents in Afghanistan.</p>

Resolution 1803 imposed a binding ban on international travel by several Iranians named in an Annex to the Resolution. Resolution 1929 extended that ban to additional Iranians, and forty Iranians are now subject to the ban. However, the Iranians subject to the travel ban are so subjected because of their involvement in Iran's WMD programs, not because of involvement in human rights abuses.

Resolution 1803 and 1929 authorize countries to inspect cargoes carried by Iran Air and Islamic Republic of Iran Shipping Lines (IRISL)—or any ships in national or international waters—if there is an indication that the shipments include goods whose export to Iran is banned.

The EU measures imposed July 27, 2010, commit the EU to freezing the assets of entities named in the U.N. resolutions, as well as numerous other named Iranian entities.

Japan and South Korea froze assets of U.N.-sanctioned entities.

No direct equivalent, but many of the Iranian entities named as blocked by the EU, Japan, and South Korea overlap or complement Iranian entities named as terrorism supporting by the United States.

The EU sanctions announced July 27, 2010, contains an Annex of named Iranians subject to a ban on travel to the EU countries. An additional 60+ Iranians involved in human rights abuses were subjected to EU sanctions since.

Japan and South Korea have announced bans on named Iranians.

The EU measures announced July 27, 2010, bans Iran Air Cargo from access to EU airports. The measures also freeze the EU-based assets of IRISL and its affiliates. Insurance and re-insurance for Iranian firms is banned.

Japan and South Korean measures took similar actions against IRISL and Iran Air.

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