The Apparent Success of Iran Sanctions

Iran, Rouhani, and the Nuclear Deal

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Abstract

Much has been written on the impact of sanctions and on their limited success in achieving political objectives. The case of Iran is insightful in examining their costs and benefits, both for the comprehensiveness of the sanction regime and the exceptional resilience of the target state. Taking as a starting point the election of Hassan Rouhani to the presidency of the Islamic Republic of Iran and the current negotiations over a comprehensive nuclear deal, the aim of this paper is to reconsider the outcome of sanctions and to assess the extent to which the current opening can be considered a direct achievement. Sanctions are typically intended to isolate the target country and put its economy under enough pressure to force its government to change its policy. In this paper, I argue that the pressure imposed by sanctions did not trigger a change in policy but instead changed only the Iranian government’s strategy. Sanctions have not only been ineffective and harmed the Iranian population and the economy; they have also been counterproductive for interests of the sanctioning state.
The Apparent Success of Iran Sanctions
Iran, Rouhani, and the Nuclear Deal

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Introduction

Since the 1990s, many academics, policy and constitutional experts, have focused their attention on an increasingly important instrument of foreign policy: economic sanctions. They have tried to assess their limits, their human impact, and their effectiveness. Traditionally, scholars have argued that sanctions are a key instrument of conflict prevention, and can be a reliable alternative to armed conflicts, or are complementary to military interventions. Robert A. Pape has been among the first who has tried to question the assumption that economic sanctions are an effective tool to achieve political goals, despite the optimistic approach prevalent in the 1990s. Yet, others have argued that sanctions can be more devastating than a targeted military intervention or even war. A vast literature focuses on the economic and social costs of sanctions, and relevant case studies on the topic include Iraq, where sanctions have caused extreme harm to the population without achieving any significant result, the embargo imposed on Cuba, and Haiti.

The aim of this paper is to contribute to the sanctions debate with a nuanced perspective on the impact and the effectiveness of sanctions imposed on the Islamic Republic of Iran. This forms an insightful case study given the variety of measures imposed and the exceptional resistance of the target state. Moreover, the election of Rouhani in 2013 and the negotiation of a nuclear deal, which occurred after three decades of deadlock, together provide an opportunity to reconsider the outcome of sanctions during this important stage of transition. It also enables broader reflection on sanctions as an instrument of coercive diplomacy and conflict prevention.

This study has two main objectives: (1) assessing whether the sanctions imposed on Iran have worked as expected, and (2) evaluating to what extent their eventual achievements are indeed substantial, and do not only appear to be. My main argument is that the sanctions have not achieved any of their goals, and only when they came to be combined with diplomatic efforts, Iran decided to take a step toward negotiations.

Starting from the basis that the ultimate aim of comprehensive sanctions, as those imposed on Iran, is to force the political elite to change policy, some authors have explained the effects of sanctions, showing how “the burden of economic hardship will become intolerable to the citizens of the target state, who in turn will pressure their leaders to change undesirable policies.”

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This idea has been at the heart of the United States (US) policy, as detailed below. I will argue that the Iranian case demonstrates that sanctions alone rarely achieve political goals, and, on the contrary, can radicalize the position of the target state. In the case of Iran, the sanction regime has neither affected the Iranian nuclear strategy, nor triggered a redistribution of power internally. As Figure 1 below illustrates, their effect has mainly consisted of getting the Iranian establishment to adopt a more conciliatory strategy, whereas the Government’s political goals remain unchanged. Therefore, as I will further explain in the paper, we cannot say that the sanctions have been successful, although the fact that they have contributed to bringing the Iranian establishment to the negotiation table could make us think the opposite.

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Figure 1. Possible Impacts of Sanctions on Government Policy

In this paper, I will assess whether this shift toward dialogue is a direct consequence of sanctions; and, if this is the case, to what extent the achievements correspond to a substantial change in the Iranian nuclear program, and, more broadly considered, Iranian politics.

In order to understand the reasons for this shift occurring, and, more importantly, why it is happening at this stage, I will critically review and examine the evolution of the legal framework over the last three decades that has justified broader and more invasive sanctions, as well as the political narrative by the US to publically justify its sanctions policy.

Examining the role of economic sanctions and their impact on the Iranian economy is a fundamental step to understand the current relations between Iran and the West, but it is

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9 The diagram describes how sanctions can impact policy. The blue arrows represent the traditional explanation of how sanctions should work. The grey arrows indicate two other possible outcomes, which I do not explore in this paper.
also a way to critically consider the extent to which sanctions work, their collateral effects and whether their impact is proportional to their achievements.

The methodology for this study consists of an armchair analysis of secondary materials, which include governmental documents and statistics, reports by international organizations and public statements, and additionally the three in-depth, semi-structured interviews with research and policy experts on Iran conducted during April and May 2014.

1. Three Decades of Economic Sanctions: How has the Sanction Regime Evolved?

Although the US sanctions policy has from its beginning sought to isolate Iran, it has evolved in many respects, and has only in the last four years reached a degree of comprehensiveness and intensity to actually trigger a reaction in the target state. An overview of the measures imposed throughout the last three decades and an analysis of the political framework from which they originated will help to illuminate why sanctions have not worked in the past, and what may explain their success now. At a later stage, I will try to assess whether they have actually triggered a change of policy, and in what way the enforcement of the measures listed below has led to a shift of approach in both the US and Iran.

At least two trends have marked the evolution of the sanction regime. The first is the progressive expansion of measures to cause a broader and deeper impact on the whole economy and financial sector. The second trend is the shift from mainly unilateral US pressure toward a multilateral effort, which started in 2006 with the first round of United Nations (UN) Security Council resolutions.

There is at least one element of continuity: despite every US administration adopting a different attitude, there has been a persistent lack of strategic approaches, and the objectives that sanctions have pursued have been varied and inconsistent. Meghan O’Sullivan offers an extensive interpretation of how and when sanctions work, making a distinction between sanctions oriented at bringing about political change in a regime, and sanctions aimed at containment. She argues that, for sanctions to be effective, they also need a clear objective, and once this objective is set, they require a targeted strategy. This perspective is particularly relevant in the case of Iran, where it seems that sanctions do not have a strategic goal.

In this section, I do not detail every decision and restrictive measure imposed on Iran, but rather I make an effort to identify the main elements that mark the evolution of the sanction regime, and explore why sanctions have not worked in the past.

1.1 US Unilateral Sanctions: The Evolution of the Legal Framework

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10 Here I refer to the decision to negotiate a nuclear deal, and start a dialogue with the US and the West.
The US first imposed sanctions on the newly formed Islamic Republic of Iran in November 1979 as a response to the Hostage Crisis. The US prohibited oil imports from Iran, and the delivery of aid and military assistance to the country. Moreover, referring to the International Emergency Economic Power Act (IEEPA), the US froze all Iranian assets stored in US banks and their foreign subsidiaries. These measures were partially eased with the Algiers Accord of 1981, marking the end of the first wave of restrictive measures.

Three years later, the US Secretary of State labeled Iran as a “state sponsor of terrorism,” and created a new framework to justify restrictive measures and the imposition of a vast range of sanctions meant to counter Iran’s terrorist activities. The Clinton Administration, building on the argument that Iran’s support for terrorist movements such as Hezbollah and Palestinian Islamic Jihad was posing an unusual and extraordinary threat to the US economic interest and security, declared a status of emergency between the two nations. This political decision served the purpose of allowing a stronger enforcement of sanctions by invoking the International Emergency Economic Powers Act, which presupposes the existence of an “extraordinary threat which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States.” In doing so, the US created a legal framework to block transactions and freeze assets to deal with the terrorist threat, and thus legitimized the imposition of tighter restrictions. This policy of isolation has had the effect of polarizing US-Iranian relations. Leaving no space for dialogue or engagement, it has had a limited success.

Since the 1990s, the US Congress has passed several acts which allowed more comprehensive sanctions against Iran. The first of these was the Iran-Libya Sanctions Act, later modified into the Iran Sanctions Act (ISA), the first extra-territorial sanction imposed on Iran. The application of extraterritorial penalties marks one of the most significant shifts in the US’ policy on Iran, in terms of the degree of ambition of the measures but also of their impact on the economy.

The 9/11 terrorist attacks of 2001, and the discovery of the Iranian nuclear enrichment activities by the International Atomic Energy Agency (IAEA) in 2002, eventually created the basis to further expand the sanctions. As a consequence, the acknowledged scope of sanctions became the prevention of nuclear proliferation, which was part of a broader

14 Terrorism list designations were made under the authority of Section 6(j) of the Export Administration Act of 1979.
18 At the time, the impact of the Iran-Libya Sanctions Act was quite limited. European firms were ultimately exempted, and the provisions were eased with the election of Mohammed Khatami in 1997.
objective aimed at countering terrorist threats and triggering regime change. The Iran Freedom Support Act provided restrictive measures on persons or entities supporting the development of weapons of mass destruction, but also set guidelines to frame the US policy toward Iran. The intention to promote a regime change is clearly expressed by the language used in the text: “the U.S. policy should support: (1) efforts by the Iranian people to exercise self-determination over their form of government, and (2) an internationally-overseen referendum in Iran and (the Act) authorizes the President to provide financial and political assistance to eligible foreign and domestic individuals and groups that support democracy and advocate non-proliferation in Iran.”

Under President Obama, the US imposed the strictest and most invasive sanctions package, the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA) of 2010. The CISADA is a synthesis of all the different US policies toward Iran. It is an effort to isolate Iran economically and financially, also through an extraterritorial imposition of penalties. Together with the ISA, this is the most successful measure, discouraging foreign companies from doing business with Iran.

On November 21, 2011, the Obama Administration took a significant step forward towards isolating Iran’s banking system by identifying Iran as a “jurisdiction of primary money laundering concern,” invoking Section 311 of the USA Patriot Act. Once again, in this case, legislation is interpreted broadly to allow broader sanctions. In a public speech, a Senior Administration Official commented on the measure arguing that the designation “…covers money laundering, it covers terrorist financing, it covers WMD [weapons of mass destruction] proliferation finance, it covers deceptive financial practices, it covers just about any form of illicit finance that we’d be concerned about. It all gets wrapped up under the statutory term primary money laundering concern.”

Along the same lines, by way of the section 1245 of the National Defense Authorization Act of 2012 (NDAA), the intention of isolating Iran financially has been pushed to the extreme, and the US clearly asked foreign firms to stop doing business with Iran unless they wanted to compromise their dealings with the US. To strengthen this legal framework eventually, the Iran Threat Reduction and Syria Human Rights Act (ITRSHRA) amended the ISA, the CISADA, and section 1245 of the NDAA with further provisions on activities related to Iran’s energy and financial sectors, proliferation of weapons of mass destruction, support for terrorism, and human rights abuses. In January 2013, President Obama passed into law the National

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Defense Authorization Act, a large legislative package that includes the Iran Freedom and Counter-Proliferation Act of 2012 (the "IFCPA").

By means of this overview, I have illustrated the manner in which the sanction regime has progressively become more comprehensive. I will proceed to showing how difficult it is to achieve and then maintain multilateral pressure, and to what extent this has been possible in the last years. Understanding the nature and evolution of the sanction regime is a necessary step to prove my argument, and demonstrate that sanctions alone have not worked in the past, and are unlikely to work now.

1.2 Multilateral Sanctions

The sanction regime has been a unilaterally US prerogative for many decades. Historically, the US and other international actors were pursuing differing policies that often conflicted. In this section, I illustrate how, in the last eight years, the US administration has succeeded in creating a consensus over the need to pressure Iran, and how the first round of UN sanctions has legitimized the US policy, triggering the consolidation of a multilateral response.

1.2.1 Lack of International Coordination Before 2006

Despite efforts of the Clinton and Bush administrations respectively, the international community in general, and the European Union (EU) in particular, were not keen to follow Washington’s approach and comply with trade restrictions. For instance, at the time of the Hostage Crisis, US allies, notably Japan and the European Community, imposed minimalist trade sanctions that had a limited impact on trade and commercial flows, while in January 1980, the Soviet Union opposed any attempt to agree on the imposition of UN sanctions altogether.

During the 1990s and up to 2005, the EU opposed the US’ approach and instead continued to have normal economic relations with Iran, at least until the joint British, French and German diplomatic endeavor failed. When the US imposed the ISA in 1996, European countries condemned the US measures, both because they undermined their diplomatic efforts and because many European companies relied on Iran for their oil supply or had important business in the country. The EU explicitly invited European firms not to comply with the US measures.

As a consequence of the IAEA bringing to light Iran’s secret uranium enrichment activities in 2002, and while the EU-3 (UK, France and Germany) were involved in diplomatic negotiations with Iran, led by Hassan Rouhani, the US Congress designed the Iran Freedom Support Act. Therefore, the US government not only refused to join the diplomatic effort that had been set up by its European partners, but it was even going against the EU strategy by imposing tougher sanctions.

1.2.2 UN and Other Unilateral Sanctions

The consolidation of a mutual consensus on the need of pressuring Iran has been led by four rounds of UN resolutions. They have justified the pressure on Iran after the referral of the IAEA to the UN Security Council, in 2006. The measures adopted by the UN between 2006 and 2010 banned trade of sensitive nuclear materials, froze the financial assets of people and entities involved in nuclear activities, as well as Iran's arms exports. Resolution 1929, the most advanced and comprehensive package of UN sanctions, has also been the last one on which a consensus was reached since 2010, because of the threat of veto employed by Russia and China. This last resolution, besides going further in sanctioning the oil and financial sector, opened the way for unilateral sanctions by Australia, Canada, Japan, Norway, and South Korea.

These resolutions played a crucial role in giving international recognition to the policy of containment and pressure that had been pursued for decades by the US alone, paving the way for the proliferation of unilateral measures. As a senior official from the Department of State publicly declared in 2011, “we've achieved a very strong basis of international unity for those sanctions through UN Security Council Resolution 1929, which in its own right imposed very strong sanctions on the Iranian Government but also provided a platform for us to continue ratcheting up the pressure on the Iranian Government through our own actions and through coordinated actions with likeminded partners.”

However, this multilateral engagement, which had reached its highest point with Resolution 1929, has proven to be fragile, and it has been hard to maintain this cohesion. UN resolutions coupled with the fear of incurring on US penalties, have decreased foreign investment in Iran. Nevertheless, they did not stop some countries from engaging and trading with the latter country. As the behavior of China shows, the price to pay for refraining from doing business with Iran is often too high, so that companies may prefer to take the risk of incurring US penalties. On their side, the US has been careful not to put excessive pressure on its allies and main economic partners in its own interest.

1.2.3 EU Sanctions

The Council of the European Union imposed the first round of sanctions in 2007, only two months after the UN Security Council passed resolution 1737 (2012). If this first round of restrictive measures targeted activities and individuals related to nuclear proliferation, the following decisions became more comprehensive, imposing a broader pressure on the Iranian economy and financial sector.

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29 US Department of State, “Background Briefing on the Recently Announced Sanctions on Iran.”
30 Ibid.
31 Ibid.
In particular, Council Decisions 2012/35/CFSP and 2012/635/CFSP imposed a total oil embargo on Iran, including the provision of equipment and services for the petrochemical industry, freezing of the assets of the Central Bank of Iran and several investments, and a ban on the importation of several raw materials, naval equipment and shipbuilding technology. Moreover, Council Decision 2012/152/CFSP (amending Decision 2010/413/CFSP) prohibited the Society for Worldwide Interbank Financial Telecommunication (SWIFT) from continuing to provide specialized financial messaging services, essentially preventing any international transaction involving Iranian banks.33

This short overview of EU sanctions gives a sense of how comprehensive and severe the restrictive measures, imposed in 2012, have been. Combined with US restrictive measures – as in the case of the parallel imposition of the oil embargo and the decision to freeze the asset of the Iranian Central Bank –, their impact has been amplified, as I will show in the next section.

2. Impact of Sanctions on the Economy and the Population

Much has been written on the economic and social costs of sanctions, for Iran and other cases such as Iraq, Haiti and Cuba.34

However, assessing the real cost of sanctions in Iran is difficult, due to the complexity and continuous evolution of the sanction regime, the constant adaptation of the Iranian economy to new restrictions, and the difficulty of separating the direct impact of sanctions from the damages caused by internal mismanagement, ineffective policies, and exogenous shocks, such as global recession.35

Data from the last four years reveals how the enforcement of a tighter sanction regime has decreased economic growth. However, this increased pressure and strained economy have barely impacted on the development of the nuclear program.

2.1 Sanctioning Trade: The Deep and Long Term Impact on the Economy

2.1.1 The Main Target of Sanctions: The Oil Sector, Pillar of the Iranian Economy
According to the World Bank, Iran’s real GDP contracted by 5.6 percent in 2012 and 4.9 percent during the first quarter of 2013, marking the lowest point in more than two decades. Many businesses failed and the number of non-performing loans increased. Particularly the heavy industry has registered huge losses. Considering that the Iranian economy still heavily relies on its oil exports, the increasingly strong pressure on the energy sector has played a major role in the decline of GDP. However, internal mismanagement, wrong monetary policies and corruption have also contributed substantially to this decrease. According to some Iranian economists, under the Ahmadinejad governments (2005-2013), Iran’s GDP growth could have reached 8 percent if there was no corruption.

According to the Economist Intelligence Unit, prior to the oil embargo, oil exports made up 80 percent of Iran’s total export earnings and 50-60 percent of government revenue. Despite some exemptions, Iran’s total oil export revenues decreased by 60 percent in less than one year because of the comprehensive US and EU oil embargo of the summer of 2012. Before the latter was imposed, the EU purchased 600,000 barrels of Iranian oil per day, corresponding to 18 percent of Iran’s total exports at the time. As a result, Iran also reduced its oil production from 2.8 million barrels per day at the end of 2011 to about 2.6 million barrels in the summer of 2012.

The sanctions imposed on the oil sector also led to diffuse oil smuggling traffic backed by governmental officials which contributed to the increase in losses. During Ahmadinejad’s rule, it has been reported that more than US $200 billion of oil revenues have disappeared. In February, 2014, the Supreme Audit Court recognized that US $53 billion were not transferred to the Treasury between March 2012 and March 2013.

The decline in export is also partially explained by measures such as the Iran Sanction Act and Executive Order 13622, which allowed the US to impose penalties on any foreign company purchasing oil or other petroleum products from Iran. These measures were combined with other provisions against oil payments mechanism and measures targeting the transportation of oil and shipment thereof.

43 Bozorgmehr, “Iran.”
44 “The Iran Freedom and Counter-Proliferation Act”, EU Council Decision 2012/35CFSP.
The strategic choices of the Asian markets are key for the future of the Iranian oil industry. China, Japan, South Korea and India buy 60 percent of Iran’s oil. Despite China and North Korea continuing to purchase Iranian oil, they are reorienting their businesses toward the Gulf States, and particularly Saudi Arabia. China has cut its purchase of oil from Iran by 21 percent from 2011 to 2012.45

According to the International Energy Agency (IEA), even if sanctions were lifted immediately, it is unlikely that Iran’s oil industry would fully recover to its previous production rate by 2020.46

2.1.2 Other Trade Measures and the Outcome of the Extraterritorial Penalties

Despite being one of the biggest producers of crude oil, Iran heavily relies on gasoline imports. The US and others have tried to reduce Iran’s ability to import this primary good, and develop a domestic production. Section 102(a) of CISADA amended Section 5 of the ISA to exploit Iran’s dependency on imported gasoline, which accounted for 40 percent of the total need at that time. The measure bans sales to Iran of over 1 million US $ worth of gasoline and every equipment or related services.47 Gasoline deliveries to Iran dwindled from about 120,000 barrels per day before CISADA to about 30,000 barrels per day in the following months.48

As a result, many international firms withdrew their business and investments from Iran while others have become hesitant to do business with the country, even in sectors not directly affected by the embargo. This has brought a loss of potential investments estimated at almost US $60 billion, which has only partially been compensated by new trade opportunities with Asia and Western Europe. According to the White House, firms as diverse as Ernst & Young, Daimler AG, Caterpillar, ENI, Total, and hundreds more have divested themselves of their interests in Iran to avoid the reputational risks, and, consequently, further undermined Iran’s access to the international economy.49

The US has also targeted the automotive industry, another important pillar of the Iranian economy, and blocked foreign banks from the US market if they finance transactions with Iran’s automotive sector. As a result, Iran’s automobiles production diminished by about 40 percent from 2011 to 2013.50

Despite this extensive impact, as I will argue in the next section, sanctions have failed to bring about the collapse the Iranian economy, and they have affected ordinary people rather than the political leadership.

46 World Energy Outlook 2012.
48 Katzman, Iran Sanctions.
50 Katzman, Iran Sanctions, 52.
2.2 Isolating Iran from the Global Financial System and the Collateral Effects on the Population

2.2.1 The Impact of Sanctions on the Financial and Banking Sector

The impact of sanctions on the Iranian financial sector is being reflected in the whole economy. In fact, despite the partial relief of measures following the interim agreement signed in November 2013, very few western banks are keen to restart their business with Iran.\(^5^1\)

The current financial crisis has certainly contributed to weakening the financial sector and decreasing economic growth. However, some measures adopted by the US and the EU have clearly played an important role in the Iranian recession. Firstly, on their account, Iran has limited access to its hard currency. Despite that its reserves are estimated to be nearly US $100 billion, as much as US $60 to $80 billion cannot be accessed due to banking restrictions. Besides, every domestic transaction related to oil sales is no longer paid in hard currency.\(^5^2\)

The exclusion of Iran from the global financial system and SWIFT has forced Iranian companies to use the old system of hawala (money transfer), causing any transaction to become longer and more expensive, which also means that Iranians have difficulty accessing commodities and major services, including food and medical treatments. This unstable financial situation has led, in turn, to a great demand for foreign currency on the black market, and the Iranian Rial lost about 80 percent of its value against the US dollar only between March 2012 and March 2013.\(^5^3\)

It must be noted that ineffective financial policies to counter the rise of prices, also contributed to worsen the financial situation. In December 2010, President Ahmadinejad implemented a five year subsidy reform that abolished subsidies on basic staples and energy products.\(^5^4\) The government spent around 40 percent of its 2006 budget in cash subsides to the low-income families. In the middle term, these measures and the rise in the price of fuels and other staples have had devastating effects on the industry and caused hyperinflation.\(^5^5\)

2.2.2 The Deep and Long-term Impact on the Iranian Population

Sanctions have deeply damaged the Iranian population and can have long-term consequences, often not intended but certainly predictable.

In May 2013, the inflation rate was reported to be 45 percent, while the average rate between 2000 and 2012 had been at around 15 percent.\(^5^6\) According to the International

\(^{51}\) Interview with Mr. Ronald Mollinger, former Dutch Ambassador to Iran, The Hague, May 12, 2014.

\(^{52}\) Katzman, Iran Sanctions, 51.


\(^{55}\) Nader Habibi, “The Economic Legacy of Mahmoud Ahmadinejad,” Middle East Brief, no. 74 (Waltham, MA:Crown Center for Middle East Studies, Brandeis University, June 2013).

Monetary Fund (IMF), the unemployment rate for 2014 was projected to be 14.7 percent, one of the highest among North Africa and Middle East countries. Moreover, international sanctions and the effects of inflation continue to affect the delivery of humanitarian assistance as well as increase operational costs for UN agencies and other organizations.

The pharmaceutical industry is reported to be struggling to import essential raw materials. In 2012, imports of advanced medicines and devices from the US and Europe decreased by 30 percent. This has had a negative impact on the treatment of patients, especially those suffering from rare and chronic diseases. Officials in the health sector estimate that the rise in mortality rate should also be attributed to the shortage of medical supplies.

In the energy sector, as sanctions restricted Iran's ability to import refined gas, the government has started domestic production. According to the World Health Organization (WHO), also as a consequence of low petroleum standards, Iran’s air quality has worsened; and, in 2013, the Iranian Health Minister reported a rise in respiratory and heart diseases and cancers related to pollution.

Another collateral effect of the restrictive measures is the increasing unreliability of civilian aircrafts. The US has imposed a ban on the importation of aircrafts, and the purchase of spare parts from European companies has become extremely difficult. The consequence of using old aircrafts may have led to the increase of airplane crashes during the last decade.

In fact, since the US trade ban was imposed in 1995, 1,700 passengers and crew of Iranian aircraft have been killed in aerial accidents. Looking at a list of Iranian aviation accidents and incidents from 1950 to 2011, it is noticeable that from 2000, the number of fatal accidents has increased, although we cannot prove a causal relationship between this increase and sanctions.

These huge losses and the problems caused by sanctions represent the price that Iran has been paying in the last years for adhering to its nuclear policy. Now that Iran is negotiating a
nuclear deal, shall we assume that Iran is no longer able to pay this price? The answer to this question can be controversial, as I will show in the coming sections.

2.3 How Much have Sanctions Limited Nuclear Enrichment Activities?

I will now examine the impact that restrictive measures have had on the Iranian nuclear program. This is particularly important given that the declared objective of sanctions is preventing Tehran from developing a nuclear break-out capacity.

Some US officials have asserted that sanctions have complicated Iran’s efforts to acquire key materials and equipment for its enrichment program.64 However, the data shows that Iran’s nuclear program has, overall, steadily grown over the course of recent years, making progress in achieving domestic nuclear and missile capability and skills.

Sanctions may have limited Iran’s ability to import components necessary to develop nuclear capabilities, causing a slowdown of production activities, and the UN inspections have made it hard for Iranian nuclear experts to utilize dual use materials. Yet, its stockpiles of low and medium enriched uranium and its installation of first and second generation centrifuges have all increased.65 According to the IAEA, Iran’s stockpile of low enriched uranium has grown from 839Kg in November 2008 to 8,271Kg in February 2013, and the number of IR-1 centrifuges installed rose from 7,100 in April 2009 to 12,669 by the end of February 2013.66 Moreover, Tehran has begun enriching uranium to 19.75 percent in February 2010. Although I do not discuss here whether or not Iran is planning to produce nuclear weapons, it must be noted that this percentage of enrichment can already be sufficient to build a nuclear weapon, although the process would take much longer and international inspections would most probably detect it.67 Iran also produced 280Kg of enriched uranium by February 2013.68 After 2006, the year in which multilateral sanctions were first imposed, the nuclear facility in Fordow has started its activity and the Busher nuclear reactor was completed.69 What is important to support my argument here is that, whether or not Iran is planning to produce nuclear weapons, sanctions have failed to stop or even deescalate enrichment activities.

Abbas Milani argues that the sanctions have brought Iranian break-out capacity70 to an exorbitant high cost.71 This has led Iran to accept the negotiation of a deal. At the same time,

64 Speech by National Security Adviser Tom Donilon at the Brookings Institution, November 22, 2011.
67 Normally, for a nuclear weapon to be a possibility, enrichment should be at 90 percent. However, Iran could theoretically produce weapons-grade uranium from its stockpile of uranium enriched to five percent using its existing enrichment facilities at Natanz and Fordow. See: AFP, “Iran Nuclear Talks: What You Need to Know about Uranium Enrichment.” The Telegraph, November 8, 2013, accessed June 17, 2014, http://www.telegraph.co.uk/news/worldnews/middleeast/iran/10436068/Iran-nuclear-talks-what-you-need-to-know-about-uranium-enrichment.html.
as he points out, it is unlikely that, after having invested massive economic and political capital in their nuclear strategy, they will accept giving up their break-out capacity.

From a political point of view, these measures seem to have increased Iran’s commitment to the program and reinforced the domestic political immunity toward the popular discontent caused by sanctions. According to Ambassador Hossein Mousavian, former nuclear negotiator, “Iran could have added 10,000 new centrifuges a year if it wanted to. It deliberately chose a slower path to signal to the West that its aim is recognition for its right to enrich.” This statement provides a sense of how far Iran is from surrendering but that seems to overlook the deep impact that sanctions have had. Nicholas Wright and Karim Sadjadpour use neuroscience to explain why the Iranian establishment subjected its population to the most onerous sanctions regime in contemporary history in order to defend its right to develop a nuclear program. Their thesis is that the motivation to reject unfairness, and the humiliation that results from it, can become deeply embedded in national narratives and decision-making. This, in my view, confirms how sanctions can also produce radicalization instead of promoting engagement. The fact that Iran has not succumbed to the pressure of sanctions is partially explained by the fact that Iran has been able to adapt its economy and mitigate their impact. However, there is also a strong political reason: the nuclear program has acquired a more political value. Having been the main target of sanctions, its continuous development also gives a strong political signal to the US and other international authorities of the unwillingness of Tehran to accept their terms and the ineffectiveness of the measures imposed.

3. Why Sanctions are not Working in Iran

That Iran has not succumbed to sanctions in thirty years has convinced academics and observers of the total failure of the sanction regime, at least until mid-2013. However, the election of Rouhani and the negotiation of a nuclear deal have reopened the debate on their effectiveness and success. Is there a real shift of policy from both Iran and the West? Should we reconsider the effectiveness of sanction, and if yes, in what way?

To answer these questions, I review the evolution of the sanction regime to identify weaknesses of, and gaps in the US policy. I will then explore the main perspective of the Iranian establishment in order to understand if, as expected, sanctions have led the Iranian economy and the political establishment closer to collapse. Finally, I seek to explain what has induced both the US and Iran to negotiation after three decades of hostility.

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74 I will not argue here about the peaceful purposes of the nuclear program, or its aim to provide Iran with nuclear weapons. These evaluations go beyond the scope of this paper.
75 I will come back to this point, and refer to the relevant literature in the next section.
3.1 The US Sanctions: Main Reasons Why they have been Ineffective

3.1.1 The Proliferation of Objectives and a Persistent Lack of Strategic Direction

The overview of the US policy toward Iran in the period from the Hostage Crisis to the end of the Clinton Administration provides an important indication of how the US policy at the time was not necessarily following a coherent strategy or goal. As Meghan O’Sullivan noted, the US sanctions against Iran between 1990 and 2000 lacked strategic direction.\(^76\) Except for the last period of the Clinton Administration, coinciding with the election of Khatami in Iran, the imposition of a broad and rigid regime of sanction has left little room for political engagement, and has had a more punitive than constructive purpose. From 1979 to the late 1990s, the objectives of sanctions were varied, and it seems they had the aim of punishing Iran instead of encouraging engagement. The US policy was also partially a response to human rights violations, terrorist threats, non-recognition of Israel, and destabilization in the region. The need for limiting the proliferation of arms of mass destruction was only one of the elements. Besides, the regime change rhetoric supported by many officials was additionally undermining any potential interest by Tehran to negotiate. With the Bush and first Obama administrations, the aim of economically and financially isolating Iran has become one of the benchmarks of US foreign policy. On the one hand, this firm approach was inspired by the logic of making the sanction regime work properly, and thus forcing Iran to comply. On the other hand, this total commitment to the “stick” dimension represented the main weakness of the US policy in the 2001-2006 period. Obama reframed US strategy toward Iran. In particular, he put in place a carrot and stick strategy, balancing the reinforcement of sanctions with diplomatic dialogue and confidence building. The first and most significant step of this engagement was the recognition of the Islamic Republic, which has been not only a signal of rapprochement, but also a clarification of US policy toward Tehran, which had always been perceived as aimed at a regime change.\(^77\)

3.1.2 Innovation and Limits of the Obama Stick and Carrot Strategy

The official fact sheet on Iran sanctions available on the White House website states that “the Obama Administration also worked with allies such as the European Union, Japan, the Republic of Korea, Australia, Canada, and others to adopt additional national measures to increase pressure on the Iranian regime, including in the financial, banking, insurance, transportation, and energy sectors. Iran is now cut off from large parts of the international financial system and we are working aggressively to isolate Iran even further.”\(^78\) This statement summarizes the ambition and the achievements of the US government: isolating Iran and cutting off its source of external revenue. This also brings us toward making a further consideration of the objective of sanctions. If their official objective is preventing Tehran from developing nuclear weapons, should sanctions not be meant to address this specific threat? According to some of these measures, such as the Iran Freedom and Counter-Proliferation Act of 2012, the pressure on the oil and financial sector is connected

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\(^76\) O’Sullivan, “Iran and the Great Sanctions Debate.”

\(^77\) Ibid, 11.

with the need to stop nuclear-proliferation, which is directly financed through them. In this view, we can capture the essence of the US policy on sanctions, based on the assumption that, to achieve a political goal – which in this case we assume is only non-proliferation –, sanctions create such an economic pressure and a harm to the population that this suffering in turn brings about a change of policy. This attitude reflects an old and traditional explanation for the coercive mechanism at work when economic sanctions are employed. According to this idea, sanctions will hurt (or at least cause inconvenience to) the general public sufficiently that leaders are compelled to alter their behavior and policies as a result of pressure from the population.79

Despite an evolution in the US Iranian policy throughout the different presidencies, and the Obama administration having adopted a more coherent and comprehensive approach, there are still some gaps and inconsistencies in the way sanctions are formulated.

The US policy of the past decades has never been a constructive policy with a long term vision, because the progressive imposition of tighter sanctions has not been complemented by an adequate diplomatic effort and the intention to promote engagement over just punishment. As emerged from the analysis, many measures appeared to have a punitive purpose instead of focusing on a specific target to trigger engagement. Moreover, many political messages on the need to promote a regime change in Iran and the identification of the Iranian elite not as an interlocutor to engage, but as an enemy to combat, may have endured the US position. This incoherent attitude is also the result of a strong domestic pressure, demanding a more assertive rejection of the “axis of evil”. The challenge for the White House has been and still is to find a compromise between conflicting interests inside the Congress, including those factions which firmly reject any engagement with Tehran. These are also the expression of influential lobbies in the country.80 Besides, US political choices in the region are also conditioned by the geopolitical interests of its main allies, Israel and Saudi Arabia, which have always looked on the possibility of US rapprochement with Tehran with concern.81

An important step forward realized by the Obama Administration is the pursuing of an international consensus over the need to pressure Iran. In the past, the US clearly rejected any European effort toward mediation, and the US’ harsh policy was deliberately opposed by the EU because the imposition of penalties on foreign companies was considered an unjustified abuse by the EU and its member states. Additionally, many Asian countries and particularly China have not succumbed to the US pressure and have continued to invest and trade with Iran.82

At the same time I do not entirely agree with O’Sullivan’s assumption that the objective of sanctions under the current administration has become more limited in order to convince Iran to engage in nuclear negotiations.83 In fact, the analysis of the measures imposed in the

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79 Winkler, “Just Sanctions,” 146.
82 Interview with Mr. Willem van Kemena, an expert on Chinese foreign policy who has written extensively about China-Iran relations, The Hague, April 30, 2014.
last four years demonstrates that there are also provisions against terrorism and human rights violations. According to a 2014 press release of the US Department of the Treasury on the enforcement of sanctions, “we remain mindful that Iran is still the world’s foremost state sponsor of international terrorism (...) [and] continues to provide financial and military support to several terrorist organizations, including Lebanese Hizballah.”  

These elements suggest that what has changed under the Obama Administration is the way in which the interlocutor is approached, whereas the US strategic interests remain substantially unchanged. Iranian leaders are aware of this, but since it is in their interest to negotiate a compromise to ease sanctions, the new conciliatory approach adopted by the Obama administration was welcomed in Tehran, as I will explain below.

3.2 The Iranian Perspective, from the Resistance Economy to the “Heroic Flexibility”

3.2.1 A Damaged Economy, but Still Far from Collapsing

Sanctions have heavily impacted the Iranian economy, as I have shown above. However, Iran has been able to mitigate their effects. The size of its economy and its political influence are still strong reasons why sanctions can only have a limited impact. Although many companies have left the country, others have kept investing in Iran. As testified by an International Crisis Group interview with an Iranian businessman, “before sanctions enforcement was ramped up, conducting business with Iran was high value and low risk. Now, it is high value and high risk. But there still are many companies willing to take calculated risks.”

Iran’s main strategy for trying to mitigate the effects of sanctions included creating front companies and using barter trade and informal banking exchange mechanisms. The state also attempted to increase its domestic oil refining capacity and diversify its exports, focusing more on hydrocarbon products other than crude oil, such as petrochemicals and fuel oil. According to Reuters, Iran’s fuel oil exports stayed above 1.1 million tons in September 2012, of which nearly 900,000 tons were exported within the Middle East region.

Iran has also tried to maintain a positive balance of trade through foreign exchange reserves and export controls, and to redistribute its GDP by reducing oil revenue importance for the budget, while generating growing revenues from value-added tax, other taxes, and privatization. To avert the banking restrictions, Iran has shifted its trade away from official banking to unofficial financial networks. This tendency has also caused the development of a black market and the proliferation of illegal transactions. According to recent Central Bank releases, 21.6 percent of the Iranian economy is considered an “underground economy,”

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86 Interview with Mr. Willem van Kemenade, The Hague, April 30, 2014.
including growing smuggling activity to circumvent sanctions issues, often backed by the government itself.\textsuperscript{89}

Historically, the Iranian leadership has denied the effect of sanctions. This has been a strategy to undermine the credibility of the US and international policy, and demonstrate the resilience of the Iranian economy. At the same time, the argument of sanctions has been used internally to blame the West and to strengthen a national identity, of which the nuclear program has become one of the main elements. In this sense, the rhetoric on sanctions has become part of the regime’s ideological narrative.\textsuperscript{90}

In late 2012, several prominent observers and analysts were predicting the total failure of sanctions, and were arguing that sanctions would harden the Iranian position in any diplomatic negotiation. However, the events of the last twelve months have put all these assumptions into question. If sanctions have not caused the economy to collapse and have not succeeded in dividing the political establishment, why has Iran accepted to open discussions with the West and start to negotiate a deal on its nuclear program?

Besides the high pressure imposed by sanctions, the desire to emancipate Iran from its international isolation and the frustration of not being recognized the right to develop its economic and political potential also have brought Iran’s leaders to rethink their approach toward the West and adopt a more conciliatory attitude. But not all observers consider sanctions the main cause of political change in Iran. The view of the National Iranian American Council is that, although sanctions have significantly harmed the Iranian economy, there is little evidence that sanctions have had a hand in in the current opening.\textsuperscript{91} For Richard Dalton the primary reason that rendered the talks successful is the talks themselves, mainly concluded in secret, and the fact that the negotiators succeeded in building mutual trust.\textsuperscript{92}

Besides the pressure imposed by sanctions on Iran, there are other possible explanations for its shift in approach. One of the most likely is the ambition to be reintegrated in the international community in order to play a more assertive role at the regional level and among the emerging powers. Indeed, Iran would have all the potential in terms of human capital, economic capability, and energy resources to join the BRICS or another such platform.\textsuperscript{93} Also, although the Iranian leadership is still strong in power, the fear of progressively loosing peoples’ support because of economic pressure and political isolation can be another element of influence. Along the same lines, the fear of being affected by the Arab Spring and the threat of popular uprisings may have played an important part.\textsuperscript{94}

\textsuperscript{89} Khajehpour et al., “The Trouble with Sanctions,” 24.
\textsuperscript{91} Khajehpour et al., “The Trouble with Sanctions.”
\textsuperscript{93} Interview with Mr. Mollinger, May 12, 2014.
\textsuperscript{94} Ibid.
3.2.2 The Iranian Establishment and the Rationale behind the Nuclear Deal

I will now review how the Iranian establishment has reacted to US policy and what has led to the more conciliatory approach. To this aim, the analysis of Ayatollah Khamenei’s statements is a helpful tool to clarify how and to what extent the Iranian perspective has changed.

The first element to look at is the clear rejection of the repressive policy enforced by the US. As Ayatollah Khamenei declared, in response to Joe Biden saying that the US was prepared to meet bilaterally with the Iranian leadership in February 2013: “You take up arms against the nation of Iran and say: ‘negotiate or we fire’. But you should know that pressure and negotiations are not compatible and our nation will not be intimidated by these actions.”

In the same speech he pointed out that “the Americans should show that they don’t want to bully us, that they won’t engage in evil acts, show us that their words and deeds are not illogical and that they respect the rights of the Iranian people, show that they won’t push the region into further confrontations and that they won’t interfere in the internal affairs of the Iranian people—they will see that the Islamic Republic has good will and the people are logical. This is the only way to interact with the Islamic Republic.”

The core message contained in these words is that the US had not understood in three decades that Iran would never surrender to its sanctions-based policy and threat of military intervention. Iran would have only accepted to negotiate with the US if the Western powers gave up their coercive approach, and started treating Iran as a peer interlocutor. This element is essential to understand the current political negotiations between Iran and the West, and to what extent the current behavior, from both parts, represents elements of continuity and innovation compared to the past. Most importantly for my analysis, this also gives a framework to understand how sanctions have played a role in bringing Iran to negotiate. As the recent political developments show, only when sanctions have been complemented by diplomatic engagements, Iran has accepted to negotiate. This reveals the maturity of Iranian politics, and the fact that Iran is choosing to negotiate, rather than be forced to do so.

In this respect, speaking to the Revolutionary Guards in September 2013, Khamenei declared to be in favor of a diplomatic compromise with the West, based on the idea of a “heroic flexibility”. The core meaning of this expression is that Iran is undertaking an ambitious but firm strategy to achieve some key concessions from the West. In this sense, the flexibility consists of being ready to negotiate, but does not entail any significant shift of policy or concession from Iran. Praising heroic flexibility, a Senior Advisor to the Iranian President, Akbar Torkan, in September, 2013, stated that “heroic flexibility does not mean retreating against the enemy, but rather achieving the system’s interest by relying on principles and values.”

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97 Karami, “Ayatollah Khamenei’s Heroic Flexibility.”

In this context, the designation of Hassan Rouhani, former nuclear negotiator who is familiar with Western interlocutors, has been a logical and coherent decision. The election of Rouhani has been welcomed by the international commentators and represents a significant step forward to tackle Iran’s international isolation and domestic discontent. However, before being elected, the Iranian establishment gave Rouhani a clear mandate: to achieve a relief of sanctions. As recently reported by the Islamic Republic News Agency, Rouhani declared: “sanctions were a big cruelty to our people, and our nation as well as the world lost because of it. On nuclear talks between Iran and Group 5+1, good steps had been taken to reach the final agreement. The process will end sanctions and we will take other steps carefully.” He also added that “our nation’s rights are the red line of Iran in the nuclear talks and we do not ignore these rights.”

Moreover, while the president theoretically controls key levers of foreign policy and security issues, there is no doubt that the Supreme Leader remains the highest individual authority over such matters in Iran, and therefore any redistribution of the balance of power in the Iranian establishment so far remains in appearance only.

4. Success or Failure of the Sanction Regime? A Nuanced Approach

4.1 Why Did Sanctions not Work as Expected in Iran?

This section will look at what has been written on the ineffectiveness of sanctions imposed on Iran when sanctions reached their peak, and what has been the perception in the aftermath of the election of Rouhani and the negotiation of the nuclear deal. This will allow me to present my own assessment of the limited success of sanctions, but also underline that they have actually played a role in triggering a shift of approach of the Iranian establishment.

In trying to assessing the outcome of sanctions, Ray Takeyh and Suzanne Maloney have warned about the risk that sanctions can strengthen the anti-occidental rhetoric and thus reinforce the leadership in its position. In their vision, sanctions have been having a counterproductive effect in Iran. Hashem Pesaran also suggests that when sanctions are prolonged, they become less effective in achieving their objective and, in turn, promote radicalization, in both the target state and sanctioning state. In fact, although both the US and Iran have now decided to approach each other in a more conciliatory way, it is true that the frustration provoked by sanctions has fomented the radicalization of the extremist wings in both Iran and the US.

Moreover, according to Bijan Khajehpour, Reza Marashi and Trita Parsi, Iranian regime officials — aiming to bolster Ayatollah Khamenei’s hardline narrative — have tried to...
politically capitalize on the negative impact of sanctions in order to influence Iranians’ attitude towards the West.\textsuperscript{102}

Sanction and regime type literature portrays democracies as more responsive to external pressure than non-democracies. It claims that, considering sanctions threaten costs for groups and individuals who are in power, and that in democracies these groups are accountable to a broader base of support than in non-democracies, sanctions cause more antigovernment protests in democratic than in autocratic regimes.\textsuperscript{103} Therefore, in the view of some authors, democracies are more likely to comply than non-democracies, and, in their view, compliance should be measured by sanction duration.\textsuperscript{104} This last element can be controversial, since one may argue that we should rather measure compliance on the basis of outcomes, and not just looking at how much time has been spent to achieve them. At the same time, it is true that in the case of Iran, the fact that sanctions have not succeeded in coercing the Islamic Republic in three decades, makes it less likely that they will work now.

All these elements are relevant to the Iranian case, because Iran can be considered an autocracy,\textsuperscript{105} sanctions have been in force for three decades, and some observers claim that a regime change might have occurred with the election of Hassan Rouhani. Interestingly, Byungwon Woo and Daniel Verdier argue that it is intermediate regimes like Iran, regimes that are neither fully democratic nor fully autocratic, that are the least responsive to sanctions as well as rewards.\textsuperscript{106}

### 4.2 Sanctions as Warfare Siege: Can Pressure Alone Trigger a Policy Change?

One of the most effective ways to present sanctions and the way in which they work is comparing them to a warfare siege. Joy Gordon compared the extensive sanctions imposed on Iraq to a siege, underlining how they target those least able to defend themselves and those least responsible for political and military policy.\textsuperscript{107} This interpretation is once again based on the assumption that the aim of sanctions is putting an unsustainable pressure on the population and isolate the target country in a way that the popular discontent will trigger a change of the institutions, and, in turn, a change of policy. As seen before, this is exactly the approach that has been adopted by the US, and later by its partners.

Interestingly, Khamenei’s recipe for countering the sanctions – which he describes as ‘economic warfare’ – “has been dubbed the ‘economy of resistance,’ a vague term for a greater degree of protectionism, support for domestic industry, and lowering the Iranian economy’s dependency on oil exports.”\textsuperscript{108}

\textsuperscript{102}Khajehpour et al., “The Trouble with Sanctions.”
This perception is very much in line with the idea that Gordon has developed to describe the effects of sanctions on the population and the economy, and the rationale behind the US policy. Building on Gordon’s argument, I argue that we can use the metaphor of the warfare siege to explain the way in which economic sanctions are supposed to work, and not only the way in which they impact the society. I will argue that, working as a siege in a context of war, sanctions have achieved a significant result in making the Iranian establishment to adopt a new, more conciliatory tone, and to sit at the negotiating table. However, this behavior is mainly reflecting a shift of communication, whereas the content of Iranian nuclear strategy, as well as the balance of power in Iranian politics remains unchanged. Moreover, what differentiates the current situation from a siege is that the Iranian establishment is still far from its collapse, and the decision of advancing negotiations is not a signal of surrender but rather a calculated strategic shift. According to Shahram Chubin, one of the strategies with which Iran is facing the increasing international pressure might be “to settle for riding out the pressure with tactical adjustments and ‘concessions’, without yielding much of substance or foregoing its revolutionary role.”

Although it is undeniable that the current scenario can offer an opportunity for dialogue, which has been missing in the last decades, it is unlikely that this will lead to a substantial change in the relations between the West and Iran if the West does not understand the nature of this shift.

Looking at the data, Iran seems to be firm in its commitment to maintain a break-out capacity, the system of power has not changed, and it is likely that, once it has alleviated the crisis, the regime will be stronger than before. This does not mean that sanctions have been totally ineffective, but they have only pursued a limited and potentially illusory success.

Building on the argument that sanctions are the only credible tool of coercive diplomacy, Mark Dubowitz and Reuel M. Gerecht claim that, in order to achieve a stronger agreement with Iran, the US needs to put in place a much tougher sanctions regime, and demonstrate the will to use force if necessary. This perspective denotes a poor understanding of the way in with the Iranian regime has been reacting to sanctions, but also of the limits of sanctions as an instrument of coercive diplomacy.

A coercive approach not supported by robust diplomatic engagement rarely succeeds in achieving sustainable results, as the case of Iran shows. The specific objective of sanctions, which has been preventing Iran from developing its nuclear program toward the achievement of a break-out capacity, has not been successful. The broader objective of sanctions, which has always been a regime change, seems far from being achieved, or at least the election of Rouhani should not necessarily be seen as a signal in this direction. On the contrary, as argued above, the regime has been strengthened by oppressive Western
policies and the attempts to create a compact international coalition against Tehran have only worked in a limited way and for a certain period.

4.3. Policy Implications and Final Remarks

I would like to conclude here with some of the implications for policies on sanctions by Western states, and consider how to manage the outcome of sanctions in Iran and the expectations created by the current political approach, and also on how to understand sanctions in an interdependent and multipolar world.

Sanctions cannot achieve the complete isolation of a target state. Despite the efforts of the US to create a common front against Tehran, and the impressive number of countries imposing restrictive measures or limiting their dealings with the country, Washington has failed to bring on board leading states such as China and Russia, and - for a long period - also EU member states. These had, and continue to have, important economic interests in Iran. Interestingly, Adam Winkler argues that international economic interdependence is one of the conditions which have determined the rise of sanctions as an instrument to achieve political objectives. The fact that states rely on trade and the provision of raw materials, or services from and to other states, makes them vulnerable to any trade ban or limitation.\(^{112}\) At the same time, I would argue that the emergence of different political and economic poles has also undermined sanctions’ effectiveness, because there will always be the option to turn to alternative trade partners. This ambivalent correlation between sanctions and economic interdependence demands future research.

In the case of Iran, sanctions have not only been ineffective, but they have also proved counterproductive for the country imposing them. In fact, the harsh policy enforced by the US in the last decades has exacerbated the negative perception of the US in the region, and its harshness has created an anti-western sentiment.\(^{113}\) This policy could have longer-term costs for western interests in the Middle East region. The Iranian establishment is very much aware of this prognosis, and has tried to present Iran as a symbol of resistance against the West and its oppressive policies. Furthermore, notwithstanding the fact that the election of Rouhani is seen by many as proof that sanctions have forced a process of liberalization and democratization, others argue that, not only have they reinforced the anti-Western narrative, but, as a consequence, have also undermined any process of democratization in the country.\(^{114}\)

Sanctions should be used as part of a broader policy, aiming to trigger an engagement with the target state. Moreover, the proliferation of objectives and the quite obvious intention of promoting a regime change have only reinforced the Iranian anti-West narrative and legitimized the efforts to build a defensive system to resist the external oppression.\(^{115}\) However, if sanctions have produced a radicalization by both parties, they have also produced a sufficient degree of economic pain and frustration that has contributed – among other factors – to bring Tehran to the negotiation table. This should not be simply considered as a successful achievement, but the states imposing sanctions should seriously

\(^{112}\) Winkler, Just Sanctions.
\(^{113}\) ICG, “Spider Web.”; Interview with Mr. Willem van Kemenade, The Hague, April 30, 2014.
\(^{114}\) Khajehpour et al., “The Trouble with Sanctions.”
\(^{115}\) Adebahr, “Tehran Calling.”
engage with the moral implications of the widespread sufferance that their policy has caused. This should also have happened were the sanctions to have actually been successful.

With respect to the current negotiations, the challenge is that both in Washington and Tehran, the radicalization of the extreme wings - also caused by sanctions and the frustration produced in both parties - leaves limited space for compromise, and both negotiating parties have to ‘sell’ a successful deal at home. Even if it is true that the desire to get a relief of sanctions has been a determining factor in convincing Tehran to negotiate, the frustration and the humiliation caused by three decades of sanctions still have only contributed to polarize US-Iranian relations and boost the rhetoric of resistance and ‘no concessions to foreign oppressors.’

Therefore, the risk for the US and the other Western powers is that they overestimate the success of sanctions by considering the fact that Tehran has now accepted to discuss a negotiated deal on its nuclear program as a proof of success, and overlook how strong and firm their Iranian interlocutors may be in defending their interests during the ongoing negotiations and beyond.

In view of these considerations, the West should try to use this leverage carefully, and be aware that the Iranian establishment, as well as its economy, is far from collapsing. The US and the EU might also think carefully about the manner in which the sanctions should be lifted, and how to make sure this bargain does not erode mutual trust in the current negotiations.

With respect to the next steps towards Iran, the US should work on the continuity and coherence of its policy, because it will be weak if not supported by a long term vision and a constant aim for engagement, as this paper has demonstrated.

The EU should specifically work on strengthening its leverage with the US and promote its role as assertive mediator, advocating dialogue on coercive diplomacy. The EU should also work to maintain and strengthen the unity of the P5+1 and avoid the fragmentation of interests and positions that has characterized the past.

More broadly, the international community should commit to future avoidance of innocent people being so broadly affected and harmed as they were by an instrument supposed to promote peace. In this respect, the UN has the potential to play a leading role in defining limits and providing mechanisms to mitigate sanctions’ impact on local populations and national economies. When imposing sanctions, it should guide the international community in supporting - and committing to - a system of ‘sanctions governance’ to preserve the rights of citizens and of future generations.

Although sanctions “are meant as a central mean for peaceful application of pressure on parties in the service of maintaining and restoring international peace and security” (Article 42 under Chapter VII of the UN Charter), we cannot continue to overlook the immense impact that they have on civilian populations. Even if it is true that sanctions are not directly intended to harm ordinary people, they inevitably lead to such effects through the economic and financial pressure they create. Even if we were to accept the principle of sanctions, any potential benefit would be outweighed by the serious costs they inflict on people, the target state as well as international relations.
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