

Sanctions against Iran

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Abstract: This article attempts to describe sanctions imposed on Iran unilaterally by the United States as well as multilaterally by various global powers through a conceptual framework and explain why they are not as effective as the U.S wishes. The article mentions both supporters and opponents of these sanctions and argues that when the goal of sanctioning countries is not clear and disputed, coupled with a lack of understanding of Iranian society, their efforts are doomed to fail.

Introduction

Since 1979, US economic sanctions against Iran have become not only the most important tool of its foreign policy, but also an objective at times. These measures which have been reinforced with new legislations in 1992, 1996 and 2000, have been divided into three categories. First, the U.S. Department of Treasury leads efforts to implement a comprehensive U.S. trade and investment ban against Iran. Second, the Department of State enacts laws against foreign parties engaging in “proliferation or terrorism-related activities” with Iran. Third, either the Department of Treasury or State designates parties which engage in proliferation or terrorism-related activities involving Iran as subject to financial sanctions. Like any other economic sanctions, the major question is about the efficacy of

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sanctions against Iran. What is the logic of sanctioning this country in the first place? If it has not successful, then why do various US administrations continue this course? The argument in this paper is that even if economic sanctions against Iran are effective economically, this cannot be translated into the political goals of the advocates of these sanctions. The point is that sanctions are being used either because there are no other options, or as an alternative to military strike. The latter is seemingly a more favorable option by various US politicians because of fears of a military strike by the Bush administration, an action that is deemed unacceptable due to the current chaotic situation in Iraq.

The Logic of Economic Sanctions against Iran

Sanctions, in the framework of international relations, are jaded tactics that has become less and less useful in the modern international economic system, particularly since the 1920s. (Cortright & Lopez, 1995) Supporters of economic sanctions say it has theoretical bases in foreign (Cortright & Lopez, 1995). As Gilpin argues, economic sanctions are a manipulation of economic relations for political aims. (Merom, 1990) Hence, sanction theories are directly linked to the use of economic power. (Merom, 1990) This is based on the assumptions that the sanctioned country will be deprived from certain benefits and as a result its welfare will decrease; this being one of the principles of economic laws (Van Bergeijk, 1989).

The goal of an economic sanction is very much related to its success. Generally speaking, the goal is either to change the behavior of the sanctioned country or to undermine the stability of the country and the government. If the goal is to change the behavior of the government as is the case more often than not, the question will then be the degree of economic dependency and the behavior of elite and the masses. However, economic vulnerability and political behavior of the agents are not always correlated. This is especially the case for a society like Iran where social and religious institutions function in a very complex manner leading to the failure of sanctions.

The linkage theory is also an important conceptual model in analyzing the sanctions against Iran. In linkage diplomacy, a sanction

SANCTIONS AGAINST IRAN

links different issues in a causal relationship. In this method the cost is raised for the receiving country and is manipulated in such a way that the deliverer of the sanction becomes superior (Nossal, 1989) Linkage may also work through gradual influence and penetration in the economic, political and cultural values rather than coercion and encouragement. (Nossal, 1989)

A more complex model of linkage speaks of three groups of factors. The first group is about tangible elements such as the economy. The second group is about symbolic values such as territory, individuals and policies. The third group is about the transcendent factors such as war against terror, defending democracy and human rights (Nossal, 1989). These values are so absolute that it is all or nothing. Hence, the goal becomes more and more symbolic, thereby forcing sanctions to become less and less effective. (Nossal, 1989)

The relationship between the issue and the actor is also important. As Gelmann says, compliance, connivance, and internalization are three probable moods that may happen. Compliance happens because of a threat or an incentive, otherwise known as a carrot and a stick. In connivance, a prior relationship of the actor and the target is important in the internalization value system of the individual. In this process, the targeted country places its identity on the conscience of the first actor. Here the relationship between the two is very important. (Nossal, 1989) It seems that none of these three criteria as explained by Gelmann can be applied to the sanctions against Iran.

Success of the economic sanction also depends on the chosen target. An economic sanction with the goal of destabilization of the middle class and bureaucracy becomes important (Merom, 1990). Is the target a segment of the elite or the masses? This has been the case most of the time that regardless of the motive of the targeting state, it is the people of the sanctioned country which suffer and not the elite. This is true for US sanctions against Iran. This naturally generates antipathy against Washington no matter how much an effort is being made for the American "public diplomacy".

Targeting the legitimacy of a regime is most of the time a real goal. Legitimacy depends on the efficiency of the governmental body

and its ability to address the value expectation of its people. Based on this rationale, using the Reagan modality of the 1980s against the Soviet Union, some argue that these measures-or any other economic sanctions-are likely to fail against the current Iranian government, unless the United States begins to address the people of Iran themselves.¹ Along with legitimacy comes the efficiency of the regime.

A government is legitimized as far as it can address the value expectations of its people. The manipulative power of the government to use force in case of chaos is also a factor. The extent of control by the central government is another factor. The most important element, however, is the role of the leadership. Social values are also important. In a religious society or a society with a theocracy, the notion of who defines these values, and in Iran's case, the significance of religious roots within its society is important. This makes it extremely difficult to assess the level of the legitimacy and judge the effect of sanctions on the government. The role of the leadership and control over different agencies and executive mechanisms of the political system is a counter force to the economic sanctions.

In the meantime, however, the pattern of sanction has changed as a substitute for military option.

There is a consensus among the scholars of political economy that unilateral sanctions are doomed to fail and there exists chances for successful sanctions -of any significance- when it is applied multilaterally or internationally. Needless to say, this is very difficult in today's multipolar world where the sanctioned country has a lot of room to maneuver. Because of conflict of interests, as the number of the actors increase, the harder it becomes to obtain consensus. In other words, when more and more actors get involved, the sanctions will become weaker and weaker if all agree to come on board. By the same token, if a country is geopolitically constrained, the chance for the sanction's success will rise. Hence, for a country bordering many neighbors and access to both land and water, the probability of a sanction's efficacy will diminish. The legality of the sanction is a factor that also counts in its success.

Theoretical Literature

Alexander George defines sanctions as coercive diplomacy with the purposeful combination of threats and diplomatic means aimed at persuading an opponent to stop or undo his effort to alter a status quo situation that itself endangers the peace or "already involves naked military aggression" (George, 1993 L.p. xi). In other word, as Gilpin argues, economic sanctions are manipulation of economic relations for political aims. (Merom, 1990). Economic sanctions are used in international political economy as a tool for foreign policy, using trade as a way to punish a nation without the military intervention. (McKenzie, 2003 {internet}). Based on this argument, sanctions contribute to the achievement of foreign policy goals when the economic and political costs of the sanctions to the target outweigh the expected costs to incur from complying (Elliot, 2003). Sanction theories are directly linked to the use of economic power (Merom, 1990). The assumption is that the sanctioned country will be deprived from certain benefits and as a result its welfare will decrease (Van Bergeijk, 1989). Hence, Supporters of economic sanctions claim it has theoretical bases in foreign policy. (Cortright & Lopez, 1995) However, as Gary Hufbauer, Jeffrey Schott, and K. A. Elliott argue in the period between World War I and Iraq's invasion of Kuwait in 1990, most sanctions were unilaterally imposed by the United States.(Elliott, 2003)

Why do only a few states use economic sanctions as a foreign-policy instrument? Current theories of economic sanctions have failed to answer this question. The reason is that conceptualization of economic sanctions derives from the assumption that international system is a self-help system that is composed of functionally like units called states. But philosophers and sociologists of punishment argue that hierarchical relationship role between actors must preexist for the use of sanctions. Based on this theory, in a hierarchically organized international system, economic sanctions are superior's acts of punishment on inferior's misconduct. In this system a hegemon applies economic sanctions not only for maintaining hegemonic order by punishing a deviant state but also for creating new international

norms that are consonant with hegemon's ideology and interests by labeling some behaviors deviant. (Elliott, 2003)

However, with all endeavors, sanctions literatures are among the most contentious and inconclusive in international relations when it comes to the real question, i.e. sanction's efficacy. While traditionalists see little success in sanctions (Jentleson 2007: 126), others argue that the success of the economic sanction depends on the chosen aim and target. Previous studies predict that sanctions will be more effective when the issue at stake is important, the sender and target are allied, the target's domestic institutions are more democratized, and the target's economy is more dependent on the sender. Lektzian and Souva say, because of different institutional incentives, economically punishing sanctions are less likely to succeed against a non-democratic target than against a democratic target. Non-democratic leaders have smaller winning coalitions, so their core constituents suffer less from sanctions than democratic leaders.²

Game-theory models of economic coercion suggest when the targeted country prefers conceding to incurring cost of sanctions, it has an incentive to acquiesce in before the imposition of sanctions. The bulk of successful coercion episodes should therefore end with sanctions threatened but not imposed. If the game-theory argument is correct, the crucial cases to study are those in which coercion is threatened but not implemented. (Drezner, 2003: 57)

Finally, Elliot has found that economic sanctions are most likely to be effective when: (1) the goal is relatively modest, thus lessening the importance of multilateral cooperation; (2) the target is economically weak and politically unstable even before sanctions are imposed; (3) the sanctioner and its target are friendly toward one another and conduct substantial trade; (4) the sanctions are imposed quickly and decisively to maximize impact; (5) the sanctioner avoids high costs to itself. Among these factors, the effectiveness of economic sanctions is often thought to be a function of international cooperation. (George, 1991)

Shortfalls of Sanctions

The main problem with sanctions is that more often it seems that the local population is punished when sanctions are put in place, rather than the state. (McKenzie, 2003) Also, the threats cost more when they fail because the sender must follow through with a punishment. Additionally, threats inherently cause stress and can affect one's rationality or problem-solving capacity. They can also generate resistance. (Smith, 2004 {internet}) Another challenge is the efficacy of economic sanctions without the threat of military intervention. Sometimes, sanction may lead to a war no matter what the intension of either side is. Long ago, Pericles, a statesman in Athens in the 5th century B.C. ordered all trade banned between the Athenian Empire and Megra, a city-state that had sided with Sparta, Athens' enemy. He intended to send the message that, short of going to war, Athens would punish anyone who challenged her authority. These sanctions ultimately led to a thirty-year war. Alexander George discusses the potential "boomerang effect" of "coercive diplomacy" when he suggests that Japan's decision to attack Pearl Harbor, and the subsequent entry of the United States into World War II, stemmed from economic sanctions. Similarly, Louis Kreisberg suggests that sanctions can "widen the conflict, add to its destructiveness, and sometimes prolong it. Sanctions are also destructive to the targeted societies. A 1999 study suggests that post-Cold War sanctions may have contributed to more deaths than all "weapons of mass destruction" used throughout history (Smith, 2004).

The focus on political concessions has led to an analytical and practical distinction between comprehensive or "dumb" trade sanctions and targeted or "smart" sanctions, with a shift from broad economic sanctions that hurt entire populations to more specified sanctions aimed at governing or military bodies. Yet, David Cortright and George Lopez find that so-called "smart" sanctions carry much less weight, are easily circumvented and, as a result, have less chance of success, whereas, on average, comprehensive sanctions have been more effective. They recommend maintaining a list of individuals and entities responsible for, or supportive of, objectionable policies in

targeted countries, that are then subject to financial sanctions and seizures, as well as travel bans. (Cortright and Lopez, 1995).

Many experts argue that incentives should be combined with or used as an alternative to sanctions. Doing so, they argue, enhances the chance of avoiding violent conflict and reaching a political goal. David Baldwin draws on behavioral psychology when he argues that threats send a message of hostility and are met with anxiety, fear, and resentment, whereas incentives can send a message of hope, cooperation, and goodwill. While incentives may be resented if viewed as a bribe, or as overshadowed by a threatened or imposed sanction, they are less likely to provoke obstinate behavior. Moreover, they can be combined with sanctions in an effort to divide domestic support for objectionable policies. When specific sectors of society are isolated as targets of sanctions, incentives can alleviate the potential for a "rallying" effect and can increase support for change in other parts of society, by offering potential benefits for another sector of society if the government cooperates.

Practical Logic of Sanctions against Iran

The problem between Iran and the US is not confined to the nuclear issue and hence economic sanctions are only a portion of the macro policies of the US. One hidden objective of the sanction is to target growth and development of the country. People like Kenneth Pollack states that economic sanctions will cause the welfare of the society to disappear and the Iranian government will be obliged to decide between economic welfare and its nuclear program. Woolsey, the ex-director of CIA, takes oil and gas as the Iran's biggest vulnerabilities. (Fox News, 2006) It is argued that Iran's oil infrastructure is archaic, as grimly depicted by its failure to meet its OPEC quotas. It has also been said that with high domestic consumption and very limited foreign investment, Iran's oil export will stop by 2014-5, and ultimately, Iran's regional power will decline. They claim that discouragement of foreign investment stemming from the mismanagement of the government, price control, annual 20 percent inflations, the inability of the government to accomplish its promises, (Senate Hearing, 2006) and a 6.2 percent growth all force the

SANCTIONS AGAINST IRAN

government to solely rely on oil. According to this argument, sanctions are effective, only if Iran feels the real threat of isolation as a disaster (Clawson, 2007). The counter argument is that based on the same logic, the US should not overestimate Iran's threat in the first place.

31Page |

Many inside Washington and also in Europe have accepted this argument that should they avoid coming along with Washington's efforts in imposing sanctions against Iran, the alternative would be nothing but war. This however, seems to be again a simplification of the case. Many other factors including sanctions are involved. At times, when the goal is regime change, sanctions may not be an alternative to the military option; instead, it may become a precondition of a military strategy. Still, even if sanctions have not been orchestrated for a military strike, it might get a life of its own consequently leading to a military conflict. This should be especially the case when the economic sanctions have been imposed for a long time without achieving its ultimate goals. Hence, it can be said that usually, time as an intervening factor may affect both the goal and the strategy of the sanctions. However, economic sanction with the aim of regime change is seldom. (Nossal, 1989)

Some advocates argue that "Economic sanction is not the sole component of a strategy for stopping Iranian nuclear proliferation, but it is a necessary portion. A main reason in their viewpoint is that they have worked before to help stop proliferation in cases such as Libya both to stop its nuclear activities as well as stopping its support for terrorism. It is further said that sanctions have been critical to the recent deal with North Korea that, while still a work in progress, Pyong Yang has been moving toward resolving this long-standing proliferation crisis. (Jentleson, 2007) They believe economic sanctions against Iran works if the following conditions are addressed. First, broad international support, including that of the United Nations Security Council, which increases economic impact and firms up political credibility, must be present. Second, these sanctions should be aimed at key sectors and individuals -- including oil and gas companies that directly affect the leadership. Third, the focus should be on policy change, not regime change. Fourth, sanctions should be embedded in an overall carrot-and-stick strategy. Fifth, although

threats to use military force should not be fully renounced, they should be downplayed. (Jentleson, 2007) Another argument is that no single tool can solve the issue by itself. Hence, financial sanctions and international diplomatic censure, backed by various military options (e.g., a strong naval presence in the Persian Gulf), offer the most effective option for dealing with the alleged threat posed by the Iranian nuclear program. Unlike the blanket sanctions applied against Iraq under Saddam Hussein, today's Iranian sanctions are both targeted and graduated. (New York Times, 2007)

New American Sanctions against Iran

A new wave of US sanctions against Iran began in October 2007, when it was announced that “no American may engage in financial transactions with the Revolutionary Guards or any of their many associated businesses, nor with the al-Quds force (an elite arm of the Revolutionary Guards), nor with three state-owned Iranian banks: Bank Melli, Bank Mellat and Bank Saderat. Of course, two of the largest state-owned banks in Iran, Saderat and Sepah, had already been placed under U.S. sanctions (Crail, 2007). According to Secretary Condoleezza Rice and Secretary of the Treasury Henry M. Paulson, “The administration will designate the entire Revolutionary Guards under Executive Order 13382, signed by President Bush in June 2005”. (McKeeby, 2007) This is in fact the first time the United States has used financial pressure against a sovereign military force and named it as a terrorist organization. Also this new sanction is regarded as the strongest set of sanctions, the United States has implemented against Iran since 1979 (Economist, 2007).

The effect of blacklisting major Iranian banks is that no American bank is allowed to facilitate any dollar-based transaction between them and any other bank in the world (Lake, 2007). The US Administration officials say they have pressed more than 40 banks worldwide to stop doing business with Iran, and most have taken tangible steps towards this goal. But banks in the Persian Gulf, China and other parts of Asia have continued, and in some cases have filled the gap left by the absence of Western banks (Lake, 2007).

SANCTIONS AGAINST IRAN

At the end of July 2007, the House of Representatives passed two bills aimed at restricting investment in Iran by U.S. firms. In addition, On Sept. 25, the House passed the Iran Counter-Proliferation Act, which imposes a wide range of sanctions and encourages the administration to impose additional restrictions on Iranian entities and access to financial markets (Crail, 2007). In the House of Representatives, there is a strong bipartisan support for sanctions, resulting in a 397-16 vote for the bill. Nonetheless, the bill faces numerous obstacles in the Senate. The Bush administration opposes the current language, while lobbyists for multinational companies are working against the legislation. Several lawmakers have sought in recent months to promote legislation favoring diplomatic negotiations with Iran over sanctions. These legislative efforts received a boost from the National Intelligence Estimate, released last December stating that Iran had halted its nuclear weapons program (The Forward, 2008). Economic pressure against Iran whether by American and international sanctions or by divestment, has become the centerpiece of pro-Israel advocacy on Capitol Hill in recent years, with Jewish lobby groups pushing for strong legislation on these issues (The Forward, 2008).

Generally speaking, the American Congress has followed two lines in the recent sanctions. First, they seek to close the loopholes of the current sanctions to make it difficult for the President to move them, with Halliburton as an example (The Forward, 2007). Second, they seek to expand and entrench laws against Iran, to decrease or cut the activities of foreign companies working with Iran. Strengthening the ILSA, working on the import export credits, investments in the oil and gas industry and foreign subsidiaries of US companies has been a part of these sanctions as well.

U.S Multilateralism in Sanctioning Iran

The Bush administration does not pursue the second tactic that is being pursued by the Congress, because it may create an economic conflict with US allies. It may also damage strategic cooperation of other countries against Iran (Senate Hearing, 2006). The US administration hopes that its allies in Europe and Asia will impose

similar sanctions, because efforts to get a tough U.N. resolution have stalled as a result of Russian and Chinese opposition. (Cooper, 2007) In this regard, as Senator Dick Lugar of the foreign relation committee announced, the US strategy against Iran is an international coalition based on chapter VII of the UN charter, (in 27 Ordibehesh 85).

34Page |

In Europe, Prime Minister Brown has said "Britain will push for a worldwide ban on foreign investment in Iran's oil and gas industry and other financial sanctions unless two reports due this month (February 2008) show that Tehran is ready to abandon efforts to acquire nuclear weapons" (Burns, 2007). Although Total and Gaz de France, have ceased bidding on new projects in Iran, no proposal has been formally tabled in Brussels according to Solana. (Levitt, 2007) Accordingly, the United States has expressed concerns about the estimated \$4.3 billion preliminary agreement that Royal Dutch Shell, along with Spain's Repsol, concluded with the Iranian for the construction of a liquefied natural gas plant at South Pars, the world's largest natural gas field.

Three factors have been instrumental in the US multilateralism against Iran: 1-Iran's exceptional situation; 2-United States' various problems including Iraq; and, 3- bureaucratic changes of the US diplomatic apparatus. These factors changed the management of Iran's nuclear file, making diplomacy as the prominent tool in dealing with Iran through both rhetoric and practice. This had helped Department of State to create an international consensus, recovering even the gap between two sides of Atlantic caused by US unilateralism in the preemptive war against Saddam. As a result, not only Europe became tough on Iran, but also Washington succeeded to get China and Russia to agree to the two resolutions based on chapter seven of the UN charter. Since the release of the NIE, Russia, China and the US European allies appear even less inclined than before to pursue additional sanctions. Many of these countries were skeptical from the outset that UN sanctions would change Iran's behavior but went along because of no other alternative (Luers, Pickerring & Welsh, 2008).

UN Sanctions against Iran

Multilateral UN sanctions began with the adoption of resolutions 1737 and 1747. Resolution 1747 added Bank Sepah to the list of entities sanctioned under Resolution 1737. Among other things, these sanctions prohibit UN member states from supplying Iran with specific nuclear materials or technology, require them to freeze the financial assets of certain Iranian individuals and companies with ties to Iran's nuclear or ballistic programs, and ban the import of all Iranian conventional arms. According to Resolution 1747, if Iran fails to carry out its suspension obligations, the Security Council shall 'adopt further appropriate measures under Article 41 of Chapter VII of the Charter of the United Nations to persuade Iran to comply with these resolutions and the requirements' of the International Atomic Energy Agency (IAEA) (Crail, 2007).

The US new sanctions announcement comes as the U.N. Security Council deliberated a third set of sanctions against Iran (Wright, 2007). Comparing the time separation between the first and second UN resolutions, the third resolution has yet to be adopted one year after the previous has been passed. This shows the difference among major powers on how to deal with the issue.

The third Security Council resolution on Iran's nuclear program will propose restrictions on cargo to and from Iran, travel bans and asset freezes for people involved in the program and monitoring of Iranian financial institutions. The elements of this third measure tighten and extend earlier ones but do not go significantly beyond them. The new sanction resolution would for the first time, authorize inspections of air and sea cargo going in and out of Iran. Bush administration officials want to model the new air and sea measures after the Proliferation Security Initiative, a loose grouping of dozens of countries that have agreed to intercept illicit arms shipments moving through their waters or airspace. In this case, a senior Bush official said, a "coalition of the willing" would seek to intercept ships suspected of taking restricted material into Iran (New York Times, 2008). As Jacobson says, while the new resolution does not appear to include the kind of monitoring measures that would be most effective, stepped-up monitoring of the sanctions already

approved against Iran would serve as a useful purpose. It is said that the most effective action would be to set up an independent monitoring team, as the UN has done in other cases of sanctions, including those against Sudan and Somalia. Until now, reporting on Iran's compliance with approved sanctions has been carried out by individual countries and has not been mandatory in all cases (Christian Science Monitor, 2008). The new measure would also ban all trade and supply of so-called dual-use items, materials and technologies that can have both civilian and military uses (New York Times, 2008).

However, the UN Security Council's efforts for the third resolution are receiving mixed receptions. The resolution's tone is different from the previous two, emphasizing the ultimate goal of "all-round relations and wider cooperation with Iran based on mutual respect and confidence in the exclusively peaceful nature of Iran's nuclear program" -if Tehran suspends uranium enrichment and reprocessing. Still many believe a weak Security Council draft is better than none at all (Washington Post, 2008). According to John Bolton, it will be even more toothless than the previous two sanction resolutions. Security Council's Iran Effort Gets Mixed Reception (Avni, 2008).

One interpretation is that the new resolution only sharpens the language of existing sanctions slightly. According to the Wang Guangya, Chinese ambassador to the UN, the two previous resolutions on *Iran* invoked only specific paragraphs of Chapter 7, and like them, the new resolution is expected to remain "non-mandatory". Previous council resolutions included restrictions on travel against several named Iranian officials involved in the enrichment program. During the months-long negotiations that led to the agreement in *Berlin* to prepare the draft of the third resolution, America wanted to tighten that restriction and turn it into an outright travel ban. Instead, as Mr. Wang predicts, the new proposed resolution would revert to language urging countries to "exercise vigilance" in allowing those officials to enter their territory. It has been also said that *China* and *Russia*, which have resisted the American-led attempts to implement a policy of imposing "incremental" punitive measures against Iran, successfully blocked most of the new ideas for economic sanctions

proposed by America and its European allies – France, Britain, and Germany (Avni, 2008).

Efficacy of U.S Sanctions against Iran

37Page |

Certainly, one would not find a unique view on the success of sanctions against Iran. U.S Undersecretary of Commerce lists the indications of the success of the US sanctions against Iran as the following: the isolation of Sepah Bank of Iran, cooperation between 40 banks around the world to put pressure on this country, cutting relations and transactions between Swiss USB bank, Swiss credit and HSBC of Swiss and also multinational corporations, and the organization of economic cooperation (New York Sun, 2007). It has been said that at least 7 of the banks that have limited or ended their dealings with sanctioned Iranian entities rank among the 20 largest European banks. The heavy opportunity cost on Iran's economic development, political unrest, a cut in gasoline subsidies last year because of sanctions-induced shortages in refining capacity set off mass public protests, including torching gas stations are also said to be some indications of the success of economic sanctions (Jentleson, 2007).

U.S officials also report that a number of countries including France, Germany, Italy, and Japan, are beginning to reduce their export credits for goods shipped to Iran.

These officials have contended that such developments have made it increasingly difficult for Iran to execute important financial transactions necessary for Iran's domestic energy and other projects. U.S. agency officials and experts also have cited the increased costs to Iran of obtaining finance and goods, sometimes resulting in inferior component parts.

Also, the World Bank which had nine active projects in Iran, financing 48 operations worth about \$3.4 billions, became caught up in the Bush administration's campaign against Iran and suspended \$5.4 million in payments about four projects, involving earthquake relief, water and sanitation, environment management and urban housing. (Lake, 2007) Still, the World Bank has no plan to resume payments because it is having trouble finding banks in Iran to handle

them now that the United States has barred dealing with four of Iran's largest banks. The payments for the World Bank projects have all gone through Bank Melli, which was accused by the United States of nuclear proliferation and supporting terrorism. (Hoge, 2008)

With respect to the given facts, Congressional efforts to impose new, tougher sanctions on Iran are stumbling after the recent publication of a report questioning the effectiveness of American sanctions. The report argues that despite 20 years of American sanctions, Iran's economic indicators remain strong (The Forward, 2008). From 1987 through 2006, Iran's exports grew from \$8.5 billion to \$70 billion, while Iran's imports grew from \$7 billion to \$46 billion. During that period, the annual real growth rate of Iran's exports was nearly 9 percent and about 7 percent for Iran's imports. Both exports and imports fluctuated during this period. This enabled Iran to generate more than \$50 billion in oil revenues in 2006. (The Forward, 2008)

In addition, the Iranian government has signed contracts reported at about \$20 billion with foreign firms to develop its energy resources since 2003. Furthermore, sanctioned Iranian banks may find their activities in currencies other than the dollar. Iran's imports rose sharply following the Iran-Iraq war in 1988 and then declined until 1995; most export growth followed the rise in oil prices beginning in 2002. Europeans continue to do business with Iran and, as of 2006, European Union countries were still providing approximately \$18 billion in credit guarantees to their companies investing in Iran (Lobe, 2007).

In addition, the World Bank has been defying requests from influential congressman Mark Kirk from Illinois to stall nearly \$900 million worth of loans to Iran (Crail, 2007). Since 2000, Iran has been able to absorb \$247/5 billions; 99/6 billion from China, \$80 billion from India, \$30/2 billion from France, \$26/1 billion from Germany, \$20/4 billion from Italy, and \$22 billion from Malaysia. Also, in the joint projects and consortiums, 60 percent of investment is from Asia and 37 percent from Europe of which 83 percent is in oil and gas industry, 80 percent in financial and banking services, 5 percent in road and transportation, 4 percent in construction and energy. China has been biggest commerce partner of Iran in 2005 with the amount of

SANCTIONS AGAINST IRAN

\$10 billion, Italy with \$6/4 and Germany with \$6 billion. (USIA, 2007) Some of the oil investors argue that with Iran's oil sanction the European may distance themselves in UN resolutions because of the oil price hike (National Interest, 2007).

39Page |

As some officials admit, because Iran has done little business with the United States in more than two decades, even the recent U.S. sanctions and the larger point of the designation would be to heighten the political and psychological pressure on Iran (Wright, 2007). According to the National Intelligence Report, economic sanctions have not worked against Iran to stop working on its centrifuges. Those governments who join the US in its sanctions against Iran also do it because not only do they see no other alternative, they are also fearful of a possible US military strike on Iran. However, the consequences of economic sanctions are bound to reveal themselves much later than when Iran will have expanded its nuclear program (Luers, Pickering, & Walsh, 2008). Using this argument and El-Baradei's November 2007 reports about Iran's progress in its nuclear activities, hardliners in Washington argue that the report underlines the fact that not enough has been done to pressure Iran. Hence, some blame the Bush administration for blocking congressional attempts to get tough on Iran (The Forward, 2008).

Conclusion

While theoretically economic sanctions, especially unilateral ones, are bound to fail, there is a consensus even amongst the American elite that the US unilateral sanctions against Iran have not worked. Even in multilateral sanctions, the US has had difficulty in mustering up support for its cause despite having two Security Council Resolutions passed against Iran. This is due to many factors, one being the NIE report, Iran's constructive role in Iraq, Iran's cooperation with IAEA and positive reports of 'the IAEA have weakened the political position of the U.S in getting international consensus to impose more sanctions against Iran. Theoretically speaking, Iran's case is a very good example to prove once again that if a country has:

1. Sanctions experience; and if

2. That country has the strong leadership and good control of its agencies; and

3- If the social institutions of the society acts against sanctions; and finally

4- If a sanctioned country has enough room regionally and internationally to maneuver against sanctions;

sanctions will not work. In the case of Iran, it seems that pressured isolation, sanctions, and other means of coercion will not work.

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Notes

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