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The Impact of US Sanctions on Iran

By Hussein Abdullah Qader

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The Impact of US Sanctions on Iran

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Thank You

Hussein Abdullah Qader

Dedication

To my family

List of Abbreviations

CISADA	Comprehensive Iran Sanction Accountability and divestment Act of 2010
ETS	Education Testing Service
EIA	Energy Information Administration
EU	European Union
EU3	Britain, France and Germany
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
ILSA	Iran-Libya Sanctions Act
IMF	International Monetary Fund
IRGC	Iranian Revolutionary Guard Corps
IRGC-QF	Iranian Revolutionary Guard Corps- Quds Forces
ISA	Iran Sanctions Act
ITRA	Iran Threat Reduction and Syrian Human Rights Act of 2012
ITSR	Iranian transaction and Sanctions Regulations

NDAA	National Defense Authorization Act for 2013
NIOC	National Iranian Oil Company
NPT	Nuclear non-proliferation Treaty
OFAC	Office of Foreign Assets Control
OPEC	Organization of the Petroleum Exporting Countries
UN	United Nations
UNSC	United Nations Security Council
U.S.	United States of America
WMD	Weapons of Mass-Destruction

Statement of Originality

I confirm that this research is the product of my own work and it has not been submitted for other purposes at other institutions.

I am familiar with the Plagiarism Policy of the University of Kurdistan/Hawler and I have the original work in case of damage to the copy once submitted to the University.

Student signature

Student full name:

Hussein Abdullah Qader

Abstract

This study looks at different ways states act in order to achieve their objectives in the international arena; foreign policy employs various ranging from diplomacy, propaganda, economic statecraft to the outright of military force. The study concentrates on economic sanctions used by the U.S. against Iran. The study argued that the U.S. sanctions imposed on Iran caused a negative impact on the economy and population without achieving the main goal- change of government policies; only when the oil sector was hit, the sanctions affected the Iranian government and paved a way for negotiations. In this project we were guided by an explanatory model based on the "Carrot and Stick Approach", the 'HSE Approach' and 'Domestic politics/signaling approach". The research employs qualitative format and content analysis. The result shows that the U.S. sanctions against Iran significantly affected the Iranian economy and population, but they failed to change the policies of this country, until the time when the Iranian oil sector was hit, which led the government to negotiations with the West, in other words, the U.S. achieved its foreign policy objectives through economic statecraft.

Chapter One: Introduction and Methodology

Introduction

States concentrate on achieving their foreign policy objectives in international arena; in order to obtain their foreign policy objectives, states employ different instruments such as diplomacy, propaganda, economic statecraft and hardly military option in their relations with other states. With fail in diplomacy, the economic sanctions toward target country will be accounted as the best option employed to persuade target country to act in the direction of a sender country.

Economic sanctions could be accounted as a tool or instrument of economic statecraft. David A. Baldwin in his book "Economic statecraft" concentrated on definitions of some scholars such as Harold and Margaret Spout and K. J. Holsti in case of Statecraft. As K. J. Holsti defined "Statecraft as the organized actions government take to change the external environment in general or the policies and actions of other states in particular to achieve the objectives that have been set by policy makers" (Baldwin, 1985: 8-9). According to Baldwin view, diplomacy, propaganda, economic statecraft and military option are instruments of statecraft which are used by states to influence other states in order to achieve foreign policy goals (Baldwin, 1985: 13-14). Moreover, Economic statecraft as an instrument of statecraft, includes economic sanctions which are imposed by states on the other states to change their policies. However it cannot be used

every time, but it seemed to be stronger than diplomacy but weaker than military option (Baldwin, 1985: 104).

With the end of the Cold War, there was a shift in U.S. Foreign Policy in the use of sanctions as an instrument of economic statecraft on different target countries. During that time, the use of sanctions increased. Moreover, the difference between sanctions during the Cold War era and after could be related to the reliance of target countries on opposite blocks in the Cold War period, while after that time, it was difficult for target countries to cope with sanctions. On the other hand, the use or threat of sanctions had positive and negative impacts. For instance, the use of sanctions against Vietnam brought rapprochement in U.S.-Vietnam relations in the 1990s, while they had negative impact on the economy of Vietnam. The impact of sanctions on the economy of Cuba could be other example of this case, which has brought negative result for target one . (Henriksen, 2001) However, it became obvious that, use of economic sanctions as an instrument of economic statecraft will be brought positive consequences, while sometime they became useless, when they cannot change the policies of target country.

The Persian Gulf is one of the important areas for U.S. Foreign Policy. This region represents some important interests for the U.S., including its access to the oil and the U.S. also aims to sell its weapons here. Ultimately, the region has become a weaponry market to serve U.S. interests. Since the end of World War II, the U.S. has improved its relations with Iran and Saudi Arabia and become involved in this region in order to protect its interests. Moreover, during the Cold War and the tension between the U.S. and the Soviet Union, the region had its own importance in containing the Soviet Union. (Gause, 2005: chapter 12)

In general, the main aim of the U.S. in the Gulf region can be defined as stability, which provides other interests such as access to oil. There are some countries that strive to damage U.S. interests in the region and the U.S. reacts in different ways by different instrument, such as negotiation, sanctions or military options. Iran is one of the most important Gulf states, being important in different aspects which include its energy sector, its activities for nuclear program, while follows complicated Foreign Policy. (Samati 2008). The economy of Iran strongly depends on oil and could be used as an engine for its Foreign Policy in terms of its nuclear program. (Bina 2009) The U.S. Foreign Policy towards Iran is based on use of sanctions due to the Iranian activities in terms of nuclear program. However, it has not made any difference and has had much negative impact on the Iranian economy and population. (Katzman et al 2012)

While different sanctions have been imposed on Iran, Europe's insistence on continuing negotiations and the fact that sanctions severely targeted oil sector, has forced Iran to continue its negotiations in order to resolve the nuclear issue. Negotiations still continue, but it remains unclear whether negotiation lead to decrease the level of sanctions and their effects on the economy and population?

This study will concentrate on one specific tool of U.S. Foreign Policy which is the use of sanctions on Iran. The aim of this study is to examine the U.S. Foreign Policy towards Iran between 2002 and the present regarding the nuclear policy of this country. On one hand, Iranian policies have caused increased sanctions. While the study endeavours to show the U.S. Foreign Policy towards Iran, it will focus on the effects of sanctions on the economy, population and especially concentration on the oil sector by answering some important questions such as: How has the U.S. reacted towards Iran's

nuclear program? How have sanctions damaged the Iranian economy? How have Iranian population suffered from sanctions? Do sanctions on oil sector cause Iran to change its policy regard nuclear program?

The Problem and its Significance

This study concentrates on the relations between states in the international arena and different ways in which states act in order to achieve their foreign policy objectives through using different instruments such as diplomacy, propaganda, economic sanctions and military option. The study tried to focus on relations between two particular states: the U.S. and Iran, with concentration on the use of economic sanctions as an instrument of economic statecraft. It also showed Iranian involvement in nuclear program and the Iranian desire for a nuclear program drove region to instability and caused the U.S. reaction in term of economic sanctions on this country, which targeted Iranian economy, population and oil sector.

A lot of research have been done with concentration on the Iran-US relations and effect of sanctions on the Iranian economy, population and oil sector. While the newsness situation of the case of Iran in term of nuclear policy and impose of sanctions on this country make the subject significant and worth studying. However, concentrate on the Iranian economy and population of Iran along with oil sector which are targeted by sanctions could be precious subject to follow to illustrate the nature of sanctions toward target country.

The questions addressed by the study are: What was the U.S. reaction toward Iran's nuclear program? How have the U.S. sanctions damaged the Iranian economy?

How have Iranian population suffered from sanction? Do sanctions on oil sector cause Iran to change its policy regard nuclear program?

The study will work on following points:

- The nuclear policy of Iran
- The sanctions which were imposed on Iran between 2002 up to the present by the U.S.
- The impact of sanctions

The Main Argument and Methodology (of Data collection)

It has been argued that sanctions are used to affect political and strategic aspects of Iran and it would deter Iran from developing its nuclear program. (Katzman et al 2012) In addition, the use of sanctions toward Iran was intended to have a political and strategic impact and persuade Iran not to develop its nuclear program. On the other hand, Justine Logan, director of Foreign Policy Studies at the Cato Institute, states that “The sanctions started to target the regime and the nuclear program, but over time Washington changed its objective”. (NIAC staff, 2012) The aim of sanctions is to inflict pain on the Iranian population; ultimately, the population starts to challenge the Iranian regime, which causes political unrest and the collapse of the regime. (Ibid) Furthermore, the U.S. foreign policy toward Iran seemed to affect the economy and Iranian population.

This paper works on sanctions against Iran and tries to find the impact of sanctions. The main argument is: Sanctions caused a negative impact on the economy and population without a change in government policies, but with the increase of sanctions

and due to targeting oil sector more severely, they affected the Iranian government and paved a way for negotiation and a deal.

In this study the author wants to have a look at the impact of sanctions on the target country which probably damaged the economic condition of target country and hurt its population. But these impact cannot make muc difference and change the policy of target country, while sanctioning oil sector which can be an engine for target country, could have significant impact on that country to change its policies due to its reliance to oil revenues. Moreover, it seemed to be necessary to mention some cases of economic sanctions and their impact along with concentration on the impact of sanctions on Iran.

This study focuses on Iran and its situation affected by the US sanctions that relate to its nuclear policy between 2002 up to the present. The study with concentration on the qualitative methods tried to answer different questions of study. The methodology of data collection and unobtrusive method which includes content analysis have been used in this study:

Data Collection

The study focuses on the existing data on the economic sanctions. Moreover, the study tries to show the consequences and effects of sanctions on Iran by different data which is related to the rate of inflation, decrease in the level of oil export, rate of unemployment which are caused by increasing of sanctions toward this country. Different resources such as academic journals and articles from websites will be used.

Unobtrusive Method

Furthermore, the 'unobtrusive method' (which includes content analysis) will be useful in this study. It focuses on human communication and tries to answer different questions related to the who says what and why etc.. (Babies 2013, chapter 12: 309) books and journal articles by experts would be used in order to understand relevant arguments to this field.

Material

The research works on the use of economic sanctions toward target country in order to achieve foreign policy objective of sender country. It is done by using method of data collection and content analyse with concentrate on the getting diffetent data from English language references such as text book and academic articles related to the economic sanctions, the U.S. foreign policy and case study of Iran from library of University. Moreover, get related academic article from english websites such as Jstor and foreign affairs was other way of data collection. For data collection, the study also focuses on different data from EIA, IMF and World Bank. For content analysis, the study focuses on different text book and articles by experts which are releavent to the case study.

Thesis Structure

Following the Introduction and methodology in this paper, there will be a section on the theoretical frameworks which relate to the main topic; sanctions in general. Firstly, the sanctions will be presented and then tested with the theoretical framework. Then specific research will continue in Chapter Three relating to the historical background of U.S.-Iran relations and the starting point of the use of sanctions against Iran; a period of 2002 up to present, in the case of Iranian nuclear policy. In Chapter Four, different sanctions which were imposed on Iran by the U.S. will be mentioned, especially sanctions relating to the case of the nuclear policy of Iran. The next chapter analyzes the

impact of sanctions on Iran in order to answer the main questions mentioned in the preceding pages. In summary, areas of impact will be discussed: the impact on the economy, population and oil sector.

Chapter Two: Literature Review

Sanctions

Statecraft can be defined as "conducting state affairs" (Baldwin, 1985 :8). Economic statecraft as an instrument of policy has been used by many countries to influence other countries in positive or negative ways. On the other hand, it gives an opportunity to the countries to improve their power in relations with other states and influence them in order to obtain their goals. (Baldwin, 1985) Use of economic statecraft, which includes economic sanction for instance, makes a state act strongly in order to affect target state and achieve its foreign policy objectives.

As long as sanction and economic sanctions should be defined, Sanctions could be defined as a “detriment imposed for doing what is forbidden such as failing to perform an obligation”. (Cooter, 1984: 136)

The Realist Theory believes that “sanctions should be used until it shows its effect and become unacceptable” (Dunne, 2007: 196) while Liberals and Constructivists consider sanctions from different perspectives: liberals describe them as a “way of depriving a country of the means to commit violation of international norms” (Dunne, 2007: 196), and constructivists pay attention to it as a “socializing phenomenon” and consider it as a “message of not accept”. (Dunne, 2007: 197)

Economic Sanctions

Economic sanctions seem to have a long history, as it was highlighted by Gary Hufbauer, Jeffery Schott and Kimberly Elliot. While they pointed out the thirteen cases of economic sanction before World War I. examples of these sanctions are: use of sanctions by American colonial against Britain (1765) and (1767-1770), United States against Britain (1812-1814), Britain and France against Russia (1853-1856) and Italy against Turkey (1911-1912). (Hufbauer, G. C. , et al, 1990 : 92) According to these economists, there are about 165 case of economic sanctions during 1914-1998 and 115 cases related to the U.S. (Ibid). there is different views on definition of economic sanctions, Johan Galtung's define economic sanctions as an:

"actions initiated by one or more international actors (the "senders") against one or more others (the "receivers") with either or both of two purposes: to punish the receivers by depriving them of some value and/or to make the receivers comply with certain norms the senders deem important". (Galtung, 1967: 379)

M.S. Daoudi and M.S. Dajan believe that economic sanctions are a punishment act of international actors such as specific state or international organizations like the UN toward a state, which does not follow international rules and violates them. (Hufbauer, G. C. , et al, 1990 : 94)

These definitions show that economic sanctions are designed to make target country deter from continuing its policy. In the other word, it seemed to be an attempt of sender country to persuade the target country to change its policies in favor of sender

country by what means it takes even economic pressure on the target country. those sanctions cause serious damage on the economy. Furthermore, economic sanctions aim to restrict the economy of the target country (Mafi, 2007) Naturally, economic sanctions can seriously harm civilians. But in some cases impact on economy and civilian did not change the policies of target country and sanctions seemed to be useless. In the case of the US Sanctions against Iraq, which targeted Iraqi oil exports after 1991, for example, they damaged its currency and led to a restriction on imports. On the other hand, sanctions had an effect on different sectors such as health and agriculture. (Kanovsky, 1992) Overall, according to the realist theory, sanctions on Iraq had humanitarian results with civilians being the main victims. But they could not change the policies of Saddam Hussein in Iraq and finally military option have been used by the U.S. in this case. Moreover, in the case of Cuba and the U.S. embargo on this state, according to the report of the American Association for World Health (AAWH) in 1997, the embargo caused malnutrition of women and children, while they led to lack of medicine and medical supplies, but the important things regard the case of sanctions is that along with restriction in travel, exchange of medical and scientific information have been restricted and such restrictions affected population. (The US embargo against Cuba, 2009)

Sanctions against Iran

The history of the U.S. Sanctions against Iran started in 1979 with the Iranian revolution during the Carter administration. That revolution caused the end of friendly relations between the U.S. and Iran; since 1979, the U.S. Government has imposed numerous sanctions against Iran as its Foreign Policy toward this country. The order of 14 November 1979, during the Carter administration, was the first sanction as a reaction against the hostage crisis in the U.S.

embassy in Tehran. According to this sanction, all assets of Iran in America were blocked. (Fayazmanesh, 2002) In January 1984, there was a new round of sanctions by the U.S. against Iran. Moreover, the U.S. imposed an embargo on imports from Iran and exports of high technology to Iran on October 27, 1987. In addition, the trade embargo against Iran continued in the 1990s during the Clinton administration. (Mafi, 2007)

The sanctions against Iran continued due to Iran's activity in nuclear program. When Iran began to desire a nuclear program, policy makers warned that a "nuclear armed Iran would be the worst possible outcome of the current standoff". (Waltz, 2012) On November 8, 2011 with IAEA report which included lack of progress in Iran's suspension of its nuclear enrichment, U.S., Britain and Canada acted to shut this country out from the international banking system on June 23, 2012. Furthermore, the European Union imposed an embargo on oil purchases from Iran as a reaction to Iranian hardliners' assault on British diplomatic property in Tehran. (Katzman et al 2012)

The most significant point is the humanitarian impact of sanctions; sanctions and economic pressure on Iran may have a role in persuading Tehran to negotiate, but the U.S. policy could not succeed in forcing Iran to stop its nuclear program. (Maloney, 2012) On the other hand, it may affect the economic condition of this country negatively and in this case the civilians are the most vulnerable. While, oil sector which seemed as an important engine for government spending and economic growth, can be used as a tools in order to force Iran change its policies regard nuclear program, as long as, nuclear development is directly in relation with oil revenues and a huge part of the Iranian spending relied on oil revenues.

In addition, it is important to mention that multilateral sanctions are more effective than unilateral sanctions. Multilateral sanctions refer to the imposition of sanctions on the target country or coalition of states which agree to follow sanctions on trade against target country, while unilateral sanctions concentrate on the use of sanctions by a one state against target country. Multilateral sanctions, such as the four rounds of the UN Security Council Resolution toward Iran could affect Iran's oil sector and it would affect Iran's ability to develop its nuclear program. (Katzman, et al 2012) But there is a problem related to multilateral sanctions, reluctance to implement sanctions; for example the benefit of some countries such as China and their economic relation with Iran caused them not to implement of sanctions against this country. (Henriksen, 2001) However, in the case of unilateral sanctions, it becomes easier for target country to circumvent sanctions.

Theoretical Frameworks

Three theories of the 'Carrot and Stick' Approach, the 'Hufbauer-Schott-Elliot' Approach (HSE Approach) and the 'Domestic Politics/Symbolic' Approach would be mentioned in this sections which are related to the economic sanctions:

The 'Carrot and Stick' approach

This approach is considered as a policy for offering a combination of reward and punishment towards a particular state to affect its policies. This approach directly relates to the Realist concept of hard power. The combination of reward and punishment can be used as a threat to change the policies of the country. Moreover, imposing of sanctions towards a particular country

becomes useful in changing its policies as sanctions used as an instrument of economic statecraft.. Reward towards that country can be offered in different ways, such as a developing relationship and economic aid or lifting of sanctions. This approach can be called a “threat to peace” which is used by Simon Chesterman ,Professor of Law at the National University of Singapore, in the form of threats to peace within a geographical boundary. It concentrates on the importance of using the threat to a country which can be used as a tool to achieve peace in international arenas. (Chesterman, 2003) Imposing of sanctions towards some countries can be different examples of this theory which is used during different times toward different countries; The most important examples of this approach can be shown in the example of Libya under Muammar Qaddafi. Libya had sanctions imposed relating to its nuclear ambitions, but when this country announced the stopping of its progress and activities in its nuclear program, there were rewards given to the country in different ways such as improving relations. In the case of Iran, this approach is important when powers use sanctions against Iran which can be referred to as the ‘ stick’ and on the other hand, they insist on the negotiation with Iran in order to solve the problem by a diplomatic process which can be an example of the ‘carrot’.

The Hufbuer-Schott-Elliot Approach (HSE approach)

This approach, which has offered by three economists (Hufbuer, Elliot and Schott) and it is known by the name of these economists¹ and includes a database of economic sanctions cases, believes that sanctions might not be effective in change the policies of a target country, but it will affect the target country in an economic way and make it unstable in political way. In the other word, these economists which worked in different cases of economic sanctions, argued that sanctions rarely

¹ Gary Hufbauer, Jeffery Schott, and Kimberly Elliot

force or persuade the target country to change its policies, while impose of sanctions could affect the economic situation of target country and it might result in political instability for target country.

In order to affect target country in economic way, this approach suggests that use of sanctions should be quickly in order to avoid target country from having opportunity to find alternative and circumvent sanctions. Furthermore, it concentrates on the effectiveness of financial sanctions, which are expected to be costly for target country. (Gary Clyde Hufbauer et al 1990) There are some examples according to this approach such as Iraq; there were a lot of sanctions against Iraq for instance that affected the economy and population of this country. Moreover, this approach somehow could be applied on the Iranian case in term of financial sanctions on Iran with their effects. However, reluctant to the sanctions by some states including Russia and China gives opportunity to Iran to circumvent sanctions, while approach suggested quick use of sanctions in order to prevent target country from circumventing sanctions.

The ‘Domestic Politics/Symbolic’ Approach

This approach focuses on the political outcome and political instability of the target country by sanctions. Sanctions could be used as a ‘symbol’ towards the target country and their effectiveness would be a secondary concern. However, sanctions will hurt interest groups and the population of the target country more than causing political instability of the target country. According to this approach, scholar Johan Galtung talked about a new idea called “rally-around-the-flag” which shows that sanctions will be used as a way to political integration of the target country by its leaders. Although sanctions can be used as a symbol to put pressure on the target country, it also has a serious effect on the public and business groups thereof; (Gary Clyde Hufbauer et al 1990) an important example of this approach can be seen with Cuba, where Western economic sanctions

were used as a symbol, but they seemed to be not against Castro, but against the nations. In addition, Cuba used sanctions as a route to political integration. In the case of Iran, this approach would be useful and shows how sanctions would affect the economy of this country and how leaders used sanctions as a way for political integration and to be opposed to Western powers. While sanctions affect interest groups and population of Iran, the Iranian leaders insist on their right for nuclear program in a peaceful way and try to make a political integration.

Chapter Three: Historical Background of U.S. Iranian Relations

To understand the nature of relations between U.S.-Iran, the historical background of these states should be highlighted; it then becomes clear how the friendly relations were turned into the worst level of relations and each country became a threat to the national interests of the other. The Gulf is a vital region for U.S. foreign policy for different reasons such as oil fields and the weaponry market (Ehteshami 2013). Furthermore, the U.S. concern about the Soviet Union since 1945 and the Jewish state (Israel) can be seen as other aspects which undermined the U.S. Foreign Policy in this region. (Hudson, 2005) These aspects have caused the U.S. to create friendly relations with some of the Gulf states in order to protect its interests in the region. Iran was one of the key states during the 1970s in preserving U.S. interests; the relations between both states during that period seemed to be bilateral. While Iran was accounted for as a protector of the U.S. national interests, the U.S. seemed to be a basic supporter in this country and the Twin Pillar Policy during Nixon's administration is one of the important examples which illustrates the reality of such cooperation and partnership. That Policy concentrated on both Saudi Arabia and Iran; both states were expected to preserve the U.S. national interests in the region. In addition, one of the consequences of that strategy was the U.S. insisting on Iran becoming a regional policeman. (Gause, G. 1994)

However, the Twin Pillar Policy was the main factor in Iran assuming position as a regional power, but the root of relations between the U.S. and Iran could be traced back

to the 1950's; Mohammad Mosadeq², Iranian Prime Minister, led a domestic political resistance movement which weakened Shah. The U.S. support for Shah by CIA's coup to overthrow Mosadeq in 1953, brought an era of deepening relations between Iran and the U.S. These relations were improved by U.S. economic aid, military and political training and intelligence collaboration, which transformed Iran to a major partner for the U.S. in the region. (Hahn, 2007) In other words, one of the important characters of the Pahlavi dynasty was the pro-American character of the regime and its close relations with the U.S. that caused the Twin Pillar Policy to guarantee stability in the region. Moreover, the stability of the region would guarantee U.S. national interest. (Molavi, 2011) It became clear when U.S. President Jimmy Carter described Iran as "an island of stability in one of the most troubled areas of the world". (Gerges, 2012: 176)

As such, the Pro-American character of Shah was one of the reasons for the fall of the Pahlavi dynasty, which paved a way for an anti-American view against Shah. In addition, there were three factors instrumental in the downfall of the Iranian regime in the view of Fred Halliday; "political dictatorship of the Shah, economic development program and its social consequences and international alignment of the state". (Halliday, 1979) These reasons came from a regime with dictatorship politics and led to mass demonstration against the Shah with anti-American ideas, which were supported by the Ayatollahs. As mentioned earlier, the fall of Shah and creation of an Islamic Revolutionary regime changed the balance of power in the Gulf region and had a negative impact on U.S. national interests in the region. On the other hand, the U.S. lost

² Mohammad Mosadeq (1882-1957) was democratically elected in 1951 as an Iranian Prime Minister until 1953. His administration brought some important reforms in social and political areas. In 1953, his Government was overthrown by cooperation of CIA and MI6. (Hahn, 2007)

one of the most important allies in this region since 1979, and the era of friendship and cooperation changed to an era of enmity between U.S.-Iran.

In general, the revolution of 1979 changed the Iranian stance toward the U.S.; the seizure of the U.S. embassy in Tehran in November 1979 by the hardliner student that resulted in the arrest of about 50 U.S. hostages for 444 days, was the first reaction of revolution toward America. Moreover, Iranian activities caused the wave of sanctions by the U.S. and it has started with the block of Iranian assets in the U.S. as a reaction to the hostage crisis. (Moussalli, 2008) Following suspension of diplomatic relations between both countries, the U.S. tried to encourage the Iranian army to a coup, as was obvious in President Carter's statement: "the threat of a military coup is the best way to prevent Khomeini from sliding to power". (Gerges, G. 2012: 57)

All in all, at the end of 1979, the Gulf region was completely transformed into a region of crisis; the crucial challenge of Iran for the U.S. and its allies in the region was the export of revolution that represented a new tool in Iranian Foreign Policy and led to instability in the region. Moreover, the revolutionary government concentrated on the export of revolution ideas to other states in order to challenge their rulers and pave a way for revolution in these states and overthrow of monarchies. (Nadia El-shazly et al 2002)

The threat of Iran was serious enough for the U.S. to support Iraq during eight years of war with Iran. Moreover, the Iran-Iraq war brought Arab Gulf States and the U.S. in conflict to support Iraq. (Molavi, 2011)

In addition, the U.S. strategy during eight-year war was based on the security of its allies; nonetheless, the U.S. became involved in the conflict in 1987 to protect Kuwait

and Saudi Arabia. While sale of dual-use technologies like the helicopter was a part of US support for Iraq, but the hostage crisis in Lebanon in 1985-1986, forced President Reagan to enter into secret diplomacy with Iran, which was known as Iran-Contra Scandal.³ (Gause, G. 2005)

With the end of the Iran-Iraq war and then after the death of Ayatollah Khomeini in 1989, the levels of relations with neighbors were at their lowest point, and it indirectly related to Iranian ideology and insistence on the export of revolution. (Cronin, Stephan et al 2011) In other words, the situation of Iran and its isolation in relations with its neighbors forced President Ali Akbar Hashemi Rafsanjani to adopt peaceful behavior in foreign policy and concentrate on pragmatism instead of revolutionary politics in order to acquire national interests. (Moussalli, 2008) That policy defined a slogan of "Iran is open for business", which gave an opportunity to U.S. companies to invest in Iran, but imposing Iran-Libya Sanctions Act during 1990s caused difficulty for both sides. (Ansari, 2006)

The decades of 1990's passed with a climate of distrust between both states. President Mohammad Khatami developed Iran's relations with Arab states, but he did not have the permission of the supreme leader Ayatollah Ali Khamenei for rapprochement with the U.S. However, President Khatami invited the U.S. to join a "thoughtful dialogue," but lack of trust and view of supreme leader avoided resumption in diplomatic relations between these two states. (Hahn, 2007) Furthermore, both states remained a

³ Iran- Contra Scandal based on secret relations between Iran and U.S. during US hostage crisis in Lebanon; according to that relation the U.S. prepared arms to Israel and it were sold to Iran in order to secure release of US hostage in Lebanon. On the other side, the U.S. supported Nicaraguan opposition forced (Contra). It then became public and accounted as a scandal for Regan administration. (Gause, G. 2005)

threat to each other by disrupting their interest in the region. Although, there was a possibility of rapprochement during the 1990's, which was destroyed by imposing of U.S. sanctions that targeted Iranian economy. However, an announcement of Madeline Albright, former U.S. Secretary of State, for the possibility of rapprochement in 2000 welcomed by President Khatami, but it failed to achieve because of the supreme leader's attitude towards relations with the U.S. (Arjomand, 2009)

The Iranian challenge for the U.S. in the region could be accounted for by some significant factors such as Iranian support for radical groups, opposition to a peace process, partnership with Syria, acquiring WMD and the Nuclear program. (Ozean, Nihat Ali et al 2009)

After September 11, 2001, Iran was defined as a part of "Axis of evil" in the Bush administration. (Arjomand 2009) This led to Iran's isolation in one way and Iranian reaction as its disruptive activities in Afghanistan and Iraq. Suzan Maloney described that situation as a "wrong policy of Bush administration to call Iran an 'Axis of Evil', which led to unprecedented cooperation of Iran in Afghanistan, while it could be managed by diplomatic relations". (Izadi, 2013)

In addition, the U.S. attack on Iraq in 2003 and overthrow of Saddam Hussein, gave the opportunity to Iran to act as a significant player, and it changed the balance of power in the region in favor of Iran and forced the U.S. to consider a possibility of cooperation with Iran in the case of Iraq. (Molavi, 2011)

Nuclear Program

As has been mentioned, both states perceive each other as a threat; the American view considers Iran as a political threat with its activities to improve its capacity in weapons, nuclear program and increase its influence in the region. while, Iranian view is different and considers the U.S. presence in the region as a threat for its regional hegemony and tries to use 'asymmetric warfare', which can be defined for its activities in a nuclear program and improve weaponry capacity. (Erlanger, 2014) As Scott Sagan described, there are three reasons for states to become a nuclear power;

- Security threat
- In order to get prestige
- Domestic politics have their own role in encouraging or discouraging government toward this case. (Beker, 2008)

In the evaluation of Sagan's reasons for the case of Iran, fears of U.S. presence in the region, forced Iran to use a deterrence strategy. Moreover, the nuclear program seemed to be a tool for deterrence for survive of the regime. However, the Iranian government believes that the nuclear policy could improve its prestige. To continue, domestic politics are active in encouraging or discouraging actors, which means it supports by hardliners while refuses by pragmatic elites.

History of Iran's Nuclear Program

The history of Iran's involvement in the nuclear program goes back to the decade of the 1950s. On March 5, 1957, there was a "proposed agreement for cooperation in

research into peaceful use of atomic energy" with a participant of the U.S. In 1959, the establishment of an institute at Tehran University, which was called the "Tehran Nuclear Research Center", seemed to be second step in the nuclear dossier of Iran and sign of NPT on July 1, 1968 forced Iran to follow international rules. (CRF: history of Iran's nuclear program, 2008) NPT enabled Iran to have signed contract with a Western firm in order to create nuclear facilities for a peaceful purpose. Furthermore, Iranian scientists could visit Germany and Massachusetts Institute of Technology for training. (Arjomand, 2009)

In addition, with the Iranian revolution in 1979, revolutionary leader Ayatollah Khomeini had an anti-nuclear position, and it caused the ceasing of the Bushehr reactor project. Furthermore, Iran-Iraq war damaged the Bushehr reactor project and with the end of the war and death of Ayatollah Khomeini, the need for electricity led Iran to work on the nuclear policy. Iranian needs for electricity resulted in a contract with Russia in 1995 in order to reconstruct the nuclear reactor and provide technology and expertise. (lotfian, 2008) Moreover, Iran concentrated on the other countries for cooperation in this field and President Rafsanjani signed nuclear cooperation with Pakistan in 1986 for the training of Iranian scientists. (Arjomand, 2009)

From 2002 to Present (Negotiation, Sanctions, Deal)

International concern about the Iranian nuclear policy started in 2002, when it was made public by the National Council of Iran⁴ who announced Iran's involvement in a secret program for 18 years in Natanz, Arak and Isfahan and then, a CNN report in

⁴ National Council of Iran is the political wing of the Mojaheddin Khalq Organization.

December 2002 made it clear that Iran's activity was for military purposes. (Mousavian, 2008: 147)

Nuclear sites of Iran include Arak-heavy water plant, Bushehr –nuclear power station, Gachin uranium mine, Isfahan- uranium conversion plant, Natanz- uranium-enrichment plant, Parchin facility and Qom uranium enrichment plant. (Iran's key nuclear sites, 2013)

With the lack of Iranian obligation to the NPT, the U.S. reacted and preferred to report Iran's file to the United Nations Security Council (UNSC), while EU insisted on negotiation and use of diplomatic tools to solve the problem. Then after, EU offered Iran signing of additional protocol in order to pave a way for international inspection, which was refused by Iran and it forced IAEA to report the Iranian case as a lack of trust in June 2003 with the possibility of referring the case to the UNSC. In August 2003, Iran accepted negotiations with EU⁵ and Hassan Rowhani, supreme of Iran's National Security, was charged to negotiate with EU3. (Arjomand, 2009) After the visit of Mohammad Elbaradei head of IAEA and then, visits of Foreign Ministers from Britain, France and Germany to Iran in October 2003, both sides asked Iran for suspension of the fuel cycle. The meeting between Iran and EU3 resulted in agreement between both sides and sign of 93+2 additional protocol⁶ by Iran in December 2003, in return, EU accepted not to send the Iranian case to the UNSC. Subsequently after that agreement, the US announced its readiness for direct talks with Iran. In June 2004, the relations between Tehran-IAEA improved and Iran decided on suspension. (Mousavian, 2008) The

⁵ Foreign ministers of Britain, France and Germany.

⁶ A protocol to restrict NPT member-states in pursuing nuclear weapon initiated in 1993. (Hooper n.d.)

reformist efforts to decline international pressure and deal regard nuclear program, were fairly successful in achieving their objectives. However, with the end of Khatami presidency, hardliners got the power and were opposed to the negotiations with the West and insisted on their own right to a nuclear program.

As mentioned so far, domestic politics concentrated on two policies; hardliners follow the North Korea strategy and believe that Iran must continue its program without caring about the U.S. or IAEA. On the other hand, pragmatists focused on the Libya strategy and negotiations with the West. Nevertheless, in the last year of Khatami's Presidency, hardliners dominated parliament and decided on uranium enrichment and suspension was cancelled. (Arjomand, 2009)

In 2005, the Presidential period of Mahmood Ahmadinejad had started, and it had brought deadlock in negotiations for approximately eight years. The case became much more complicated and caused a six-round resolution of the UNSC that included some international sanctions against this state and which was a "worthless pieces of paper" (Mousavian, 2008: 188) in the view of Iranian officials but in the reality, those papers had significant impact on the economy and population, which will be mentioned in following chapters.

In addition, Europe became tired with the process and in the new round of negotiations in August 2006; EU3 was replaced with power 5+1, which included five permanent members of UNSC (the U.S., Britain, France, Russia and China), plus Germany. Negotiation did result in any progress and just caused more sanctions on Iran. In June 2008, Iranian foreign minister Manochehr Motakai proposed a comprehensive

talk which was accepted by power 5+1 in July. (Mousavian, 2008) All in all, there was no progress in nuclear talks until November 2013 with efforts of the new Iranian President Hassan Rowhani.

Furthermore, the relations between Iran-US was at its lowest point, when President Bush left office in 2009 and then, President Obama asked for direct dialogue, that was refused by Iran. The Obama administration insisted on engagement strategy to achieve rapprochement in relations with Iran, but with a refusal of Iran to engagement and direct talk, administration would focus on economic warfare with negative consequences on Iran. (Gerges, G. 2012)

In summary, It should be noted that Iran insistence on its right for using nuclear power for peaceful purpose on one hand and Western concern on the other hand, concluded in imposing sanctions on this country, while Western powers especially the U.S. follow their national interest in the region and a nuclear Iran in the future would be worst option for them and their allies. The Chapter looked at different parts of historical background of relations between U.S.-Iran, which was based on friendly relations and then, with the Iranian revolution caused tension between both sides, which resulted in change in the balance of power in the Gulf and defined Iran as one of the worst enemies for the U.S. and its national interests in the region. The chapter continued with concentration on the period of 2002 up to the present to illustrate tensions between these two states regarding nuclear program. The next chapter illustrates the U.S. reaction towards this case in terms of sanctions against Iran.

Chapter Four: Foreign Sanctions against Iran

Reasons behind Sanctions

The Iranian activities has made the U.S. very concerned about this state since 1979. These activities include Iranian ambitions for WMD and a nuclear program, its opposition to the peace process and its support for terrorist activities. These activities have caused U.S. response about this state and the use of sanctions was employed as its foreign policy tool to put pressure on this state to achieve its objectives.

In general, there were different reasons that caused sanctions towards Iran over time; different aspects of Iranian foreign policy during 1990s, which were defined in terms of its pursuit of WMD, its support for radical groups, its opposition to a peace process and human rights violence, has brought concern about Iran's activities and caused the imposition of sanctions against this state. (Beker, 2008) Now, sanctions are designed to restrict Iran's capacity in a nuclear program (Halliday, 1979) In addition, the interim aim of sanctions is to achieve a deal beyond its nuclear policy. (Christoff, 2010) The most significant aim of using sanctions right now is to put pressure on Iran to stop following a nuclear policy, while it caused economic pressure and population hurt more than avoiding Iran from its insistence on nuclear program.

U.S. Sanctions

After the occupation of the U.S. embassy in Tehran by the hardliner students on November 4, 1979, the U.S. imposed unilateral sanctions as its Foreign Policy tool against Iran. In as much, President Carter blocked Iranian properties in the U.S. banks and then expelled Iranian diplomats and students from the U.S. (Mafi, 2007)

During the 1980s, many more sanctions on Iran have been imposed; Moreover, the Iran-Iraq war for eight years damaged the country more than ever. It became significantly worse when the U.S. imposed sanctions on exports from Iran and imports to this state in 1987.

The strategy of dual containment⁷ had been used during the 1990s for isolating Iran; that strategy concentrated on the economy and trade of both Iran and Iraq. Despite the fact that, the strategy was used toward Iran, but the decade of 1990 was one of more significant decades in the use of sanctions against Iran; the executive order in March 1995 prohibited U.S. companies from investing in the Iranian oil sector (Mafi, 2007) and the executive order 12959(PDF) in April 1995 prohibited any U.S. trade and investment in Iran. (Bruno, 2010)

The Iran-Libya Sanctions Act (ILSA) in 1996 was passed by U.S. Congress and had negative consequence on the Iranian economy. According to that draft of Sanctions which included both Iran and Libya during that time, Iranian energy sanctioned and any

⁷ Martin Indyk the Special Assistant to the President for Near East and South Asian Affairs at the National Security Council proposed Dual Containment in May 18, 1993 which focused on persuading Europe, Russia and Japan to stop Iran's access to the international capital and arms market. (Gause, 1994)

U.S. firm that invested more than \$20 million in Iranian oil and gas field would be punished. The events of September 11, 2001 and the Iranian background of being a state that sponsored terrorism, forced the Bush Administration to include Iran as a part of the "axis of evil", along with Iraq and North Korea, and it caused a renewal of ILSA for more five years in August 2003. (Torbat, 2005)

2002	Under the Iran-Iraq Arms Non-proliferation Act of 1991, nine Chinese companies and one Indian entity sanctioned because of selling prohibited goods to Iran.	
2003	July 3	Six foreign companies (Five Chinese, one from North Korea) sanctioned for selling prohibited equipment to Iran
2004	April 7	13 foreign companies sanctioned
	December 1	5 more foreign companies sanctioned
2006	June 14	Blocked the assets of 4 Chinese companies for cooperate with Iran's ballistic-missile
	August 4	Seven companies sanctioned for providing related materials to unconventional weapons
	September 8	Prohibit the access of Iran's Bank Saderat to US financial System

Table 1/ US sanctions against Iran (2002-2006)

Source: Case Studies in Economic Sanctions and Terrorism by Hufbauer et al., 2012.

Since 2002, with the publicity of the Iranian nuclear policy, the U.S., along with its unilateral sanctions, strived to persuade other actors to impose sanctions on Iran; persuading international banks to avoid their transactions with Iran and could be seen as one of the most crucial U.S. efforts for isolating Iran. Even though, U.S. unilateral sanctions, targeted different sectors such as investment in oil, gas and petrochemical and export of refined petroleum products.

On July 25, 2002 the U.S. imposed sanctions on nine Chinese companies and one Indian entity, according to the Iran-Iraq Arms Non-proliferation. Those companies were accused of selling prohibited goods to Iran. Moreover, in July 2003, the U.S. sanctioned five Chinese company and one from North Korea because of prohibited selling of equipment and technology to Iran. While, in December 2003, Bam⁸ earthquake forced the U.S. to ease sanctions for three months. Eighteen more foreign companies were sanctioned in 2004 under the Iran nonproliferation act of 2000. The U.S. Treasury department reacted toward 4 Chinese companies in 2006 for their aiding of the ballistic-missile program in Iran. Reaction became tough, when the assets of those companies in the U.S. were blocked and the U.S. companies banned from doing business with them. During that year, seven foreign companies which provided Iran with related-material to unconventional weapons, were sanctioned under the Iran Nonproliferation Act of 2000. In addition, Bank Saderat was blocked from access to the U.S. financial system. (Hufbauer et al., 2012)

The U.S. expanded its list of individual and entities which supported or were involved in proliferation activities; the expanded list included IRGC Quds Force Unit⁹, the energy sector etc. In general, about 20 organizations have been cut from the U.S. financial system since October 2007. (Katzman, 2013)

⁸ Bam is a city of Kerman Province in southeastern Iran

⁹ A particular unit of IRGC which conduct the operations outside Iran for example in Iraq and Lebanon. Quds force unit which is under the command of Qassem Soleimani seemed to support different groups in different countries such Hezbollah in Lebanon and Hamas in Palestine. (Cordesman, 2007)

2007	October 25	The U.S. expanded the list of individual and entities to be sanctioned
2008	August 12	5 organizations sanctioned because of supporting to Iran's nuclear program
	September 10	The U.S. treasury Department accounted Iran's nation maritime-carrier and the Islamic Republic of Iran shipping line as a "proliferators" and blockade the carrier's ability to move money through US banks and from caring food and medical supplies
	October 23	13 foreigners sanctioned for violating Iran, North Korea and Syria Nonproliferation Act
2009	April 7	LI Fang Wei the Chinese businessman sanctioned for selling weapons material to Iran
2010	February 10	Imposed sanctions on commander ad four companies which connected to mining and engineering companies in IRGC
	July 1	CISADA(Comprehensive Iran Sanction Accountability and divestment Act of 2010) expanded Iran Sanctions Act (ISA)
	December 20	New financial sanctions against IRGC and shipping companies
2011	June 23	Iran port operator Tidewater Middle East Company sanctioned for assisting IRGC in moving weapons to Iran's allies in the region
	October 12	The Iranian airline Mahan sanctioned for assisting the IRGC and Qods Forces
	December 31	NDAA (National Defense Authorizing Act for 2012) prohibited the opening of US account for foreign Bank that work with Central Bank of Iran

Table 2/ US sanctions against Iran (2007-2011)

Source: Case Studies in Economic Sanctions and Terrorism by Hufbauer et al., 2012.

During 2008, the U.S. Treasury Department targeted food and medical supplies, when Iran's nation maritime-carrier and the Republic of Iran Shipping line were

accounted for as a "proliferators". In addition to this, they have been cut from US banks and it affected their capacity in supplying food and medical supplies. Moreover, the U.S. sanctioned five organizations and then in October, 13 foreign individuals from Russia, China and Venezuela were sanctioned with accusations of violating the Iran, North Korea and Syria Non-proliferation Act. In 2009, sanctions targeted a Chinese business man Li Fang Wei, who was accused of selling weapons material to Iran. (Hufbauer et al., 2012)

When Barak Obama came into office in 2009, his administration preferred the diplomatic way to solve the Iranian nuclear issue, but use of sanctions continued during that time; in March 2010, an executive order of banning U.S. trade and investment with Iran, renewed by Obama's administration and ISA¹⁰, was expanded in July 2010 by the CISADA(Comprehensive Iran Sanction Accountability and divestment Act of 2010), which excluded companies from dealing with Iran. Moreover, some companies such as Tanker Pacific were penalised after July 2010 for their business of refined gasoline with Iran. (Bruno, 2010) In addition, negotiation between power 5+1 and Iran started in December 7, 2010 in Geneva, while it was expected to reach agreement, but with its failure, the U.S. imposed new financial sanctions on Iran which targeted IRGC and shipping company of Iran. (Hufbauer et al., 2012)

During 2011, the Iranian State Airline and port operator Tidewater Middle East Co. were targeted by the U.S. sanctions. In addition, Commercial Airline and Mahan Air were targeted by the U.S. Treasury Department because of providing support for the IRGE-QF. (Ibid)

¹⁰ ILSA in 2006 changed to ISA, because it was not related to the Libya any more.

2012	January 12	3 foreign energy companies sanction for doing business with Iran
	January 23	Iran Bank Tejarat sanctioned
	February 6	Executive order 13599
	March 30	Further sanctions against buyers of Iran's oil
	April 23	Executive order 13606
	May 1	Executive order 13608 (Strengthening sanctions against Iran and Syria)
	July 30	Executive order 13622 (Sanctions against Iran energy sector and those banks that do business with Iran)
	August 10	ITRA (Iran Threat Reduction Act of 2012) or (Threat Reduction and Syria Human Rights Act of 2012)
	October 9	Executive order 13628
	October 22	ITSR (Iranian transaction and Sanctions Regulations)
	December 26	Announces of amendment to ITSr by the U.S. Treasury Department
2013	January 2	NDAA (National Defense Authorization Act for 2013)
	March 14	Sanctioning Impire shipping and 8 companies under ISA
	June 3	Executive order 13645

Table 3/ US sanctions against Iran (2012-2013)

Source: Case Studies in Economic Sanctions and Terrorism by Hufbauer et al., 2012./

Timeline of U.S. Sanctions by Jason Starr and Helia Ighani, 2013

From 2011, sanctions on Iran became more severe, to include the oil sector and trade. Although, Obama's administration believed "preventing the spread of nuclear weapons as the highest national-security priority". (Parasiliti, 2010) The reflection of this priority can be illustrated in the tightened sanctions of U.S. on Iran in November 2011 that included punishment for companies which worked in the Iranian oil sector. The National Defense Authorizing Act for 2012 (NDAA) targeted those banks that has transaction with Iran's Central Bank. In other word, foreign banks were forced to quit their business with Iran. It also affected oil sector of Iran that some countries decrease their oil purchase from Iran. (Hufbauer et al., 2012)

Iran experienced a strict year of sanctions in 2012, which started with two sanction in the first month of the year including sanctions against three foreign energy companies for doing business with Iran; These companies are Fal Oil Company Ltd, Kuo Oil and Zhuhai Zhenrong Company. They banned from trading support of the U.S. export/import bank and the U.S. financial institutions. The second phase of impesd sanctions during that month targeted Iran's Bank Tejarat. In February 2012, Execution order 13599 targeted Iran's central bank and caused the freezing of Bank's assets. (Hufbauer et al., 2012) In response to that sanction, Iran announced that, it would not affect its nuclear policy. The U.S. designed additional sanctions against Iran in March. In Addition, Execution order 13606, which was signed in April 2012, sanctioned Syrian General Intelligence Directorate, Syriatel, IRGC, Iranian Ministry of Intelligence and Security, Law Enforcement Forces of the Islamic Republic of Iran, and Datak Telecom. These entities were sanctioned for providing equipment which was used for oppressing the people. (The U.S. Department of Treasury, 2012, April 24)

Furthermore, Execution Order 13608 in May 2012, allowed the U.S. Department of Treasury to sanction foreign individuals and entities. (Hufbauer et al., 2012) Another Execution Order signed on July 30, 2012 which was known as Execution Order 13622, authorized additional sanctions on Iran's oil sector by targeting any foreign financial institution which conducted transaction with the National Iranian Oil Company (NIOC). (GPO, 2012, July 30)

Iran Threat Reduction and Syrian Human Rights Act of 2012 (ITRA), included further sanctions on Iran that prohibited foreign subsidiaries of US companies, if they were involved in prohibited transaction with Iran. The aim of that sanction was to restrict the Central bank of Iran in order to target oil revenues of the Iranian government. (Starr et al., 2013)

Execution Order 13628 on October 9, 2012, authorized the implementation of sanctions of ITRA (2012) with some new additional sanctions against Iran. Following that, non-U.S. subsidiaries were banned from dealing with Iran in the business of transferring of food and medical product to Iran. Moreover, new provision applied, which insisted on re-examining of such transfer. Furthermore, Iranian Transaction and Sanctions Regulations (ITSR) in October 2012, insisted on prohibition of transaction with Iran for the U.S. persons. (Bryancave, 2012, October 24)

Increase of sanctions in 2012 targeted the Iranian financial system that resulted in the blockade of properties of Iranian Central Bank and the Iranian Government and then, the World Bank was excluded from any oil transactions with Iran. The Iran threat, reduction and Syria Human Rights Act of 2012 in August 2012, expanded sanctions on

Iran that related to the energy sector and proliferation of WMD, which included ISA of 1996. In addition, imposed sanctions on the IRGC etc. In general, the U.S. unilateral sanctions have even gone so far to include oil, petrochemical and the shipping trade. (Katzman, 2013)

Sanctions against Iran continued in 2013; President Obama signed National Defense Authorization Act for 2013 in January 2013 that imposed sanctions on foreign entities who were involved in transaction with Iran. The U.S. sanctioned Greek businessman Dimitrios Cambis the president of Impire shipping, who found a way for Iran to evade sanctions. Execution Order 13882 of April 11, 2013, has brought sanctions against individuals, entities, Banks and oil; International safe oil; Malaysia, First Islamic Investment Bank LTD: Malaysia and Sorinet Commercial Trust Bankers: Dubai and Kish Island: Iran, were sanctioned for instance. On June 3, 2013 with Execution order 13645, sanctions were imposed on the Iranian currency (the Rial) by the U.S. department of Treasury. (Hufbauer et al., 2012)

As far as mentioned, the U.S. along with its unilateral sanctions forced international organizations to sanctioning Iran, the most important case is the UN which Imposed several round of resolutions since 2006.

Resolution 1696 on July 31, 2006 asked Iran to suspension of Iranian nuclear activities and threatened Iran with imposed sanctions if it did not follow international rules. The resolution was passed with 14 votes in favor and one vote of dissent by Qatar. (Hufbauer, G. C. et al., 2012) Iran's inadequate response to that resolution led to resolution 1737 on December 23, 2006, which included some sanctions against Iran for

example targeting the import and export of related materials to the nuclear program and blocking the assets of 12 individuals and 10 companies, which worked in nuclear and ballistic missile program. (Ibid)

Three months later, on March 24, 2007, UNSC adopted resolution 1747 that banned Iran's arm exports and extended blockade of assets of such companies. (United Nations Security Council, 2007, March 24) Iran ignored that resolution and it caused IAEA to report Iran's inadequate cooperation and that forced UNSC to adopt resolution 1803 on March 3, 2008 that widened sanctions by block the assets of 13 new Iranian companies and individuals which were involved in the nuclear program. It also expanded sanctions by trade bans to those individuals and put restriction on the dual-use technologies. (United Nations Security Council, 2008, March 3) On September 27, 2008 the UNSC passed a new resolution on Iran which is called resolution 1835; that resolution called on Iran to comply with obligation, while it did not include any sanctions. (Hufbauer, G. C. et al., 2012)

The most effective round of sanctions was defined in Resolution 1929 which was adopted on June 9, 2010 and included the following points: expanded arms embargo, banned Iran from activities in ballistic missile, travel bans, frozen assets of IRGC (Iranian Revolutionary Guard Corps) and Islamic Revolution of Iran's shipping lines. Resolution 1929 asked Iran to cooperate with IAEA and suspends its uranium enrichment. (Parasiliti, 2010). Some other resolution have been adopted by the UN after Resolution 1929 such as Resolution 1984 in 2011 and Resolution 2049 in 2012 without including further sanctions.

In additions, since June 2010 with resolution 1929, the EU has imposed rigid sanctions on Iran, which included limitation in buying oil from Iran, ban on insurance, banking system, visas, stopping trade of gold and any other valuable metals and blockades of the assets of Iran's central Bank. (Estrin, 2012)

Furthermore, with the hardliners attack on the British diplomatic property in Tehran in January 2012, the EU reacted with wider sanctions against Iran; EU embargo on oil purchases of Iran for instance, is a part of EU reaction toward Iranian attack to the British property in Tehran. (Amuzegar, 2013) In March 2012, the Brussels based body, the most crucial global banking system, refused Iranian banks from its system, which had negative consequences on the Iranian banking system. (Q & A: Iran Sanctions, 2014)

In summary, The chapter provided data and details of sanctions against Iran with concentration on the U.S. sanctions on Iran and the U.S. role in forcing organizations like the UN and EU in order to target Iran. While Iran's activity especially in nuclear program can be accounted as a main reason for increase in sanctions. The next chapter analyses the impact of sanctions on the economy, population and oil sector of Iran to answer the main question of this study: 'How have sanctions targeted the Iranian economy and population? Do sanctions on oil sector cause Iran to change its policy regard nuclear program?

Chapter Five: Impact of Sanctions

Economy

In order to understand the exact impact of sanctions on the Iranian economy, it is crucial to gain knowledge about the economy of Iran, which strongly depends on oil. Oil seems to be a main characteristic of the Iranian economy that acts as an engine to improve the economy of Iran. (Bina, 2009) It should be noted that the Iranian economy relied on oil in both periods of pre-revolutionary and post revolution; during the Pahlavi dynasty oil appeared to be the solution for the ailing economy and supremacy of Iran in the Gulf region, as was the same with the Iranian revolution, where the Iranian government depended on oil for economic growth and military strength. (Ehteshami, A; Hinnebusch, R 1997: 36)

Furthermore, the disruptive role of the Iranian revolution and its economic policies led to weakening of economy, while it caused some people to leave the country or they were arrested and killed by the Iranian government due to their disagreement with them. Moreover, a revolutionary government replaced those who left the country with those who were not familiar with the economy arena. Nationalization in one way and restriction of private sector in other way, caused economic weakness and eight years of war with Iraq damaged the economic side more than ever. (Konovsky, 1992)

With the end of Iran-Iraq war and efforts of pragmatic government under President Hashemi Rafsanjani and a strategy of an open economy to the outside, this opened up the opportunity of foreign investment. A five year plan was applied in order to recover the economy, which included privatization of state entities. this strategy continued when President Khatami came into office (1997-2005) in terms of supporting privatization and private banks. (Habibi, 2008) Furthermore, Ahmadinejad's policies, which were based on economic justice and reduction of poverty was in contrast with privatization, because he believed that privatization policy of previous presidents led to exploitation of small groups, while others were suffered from poverty. (Habibi, 2014)

President Ahmadinejad insisted on some radical economic policies including the active role of government in economy and redistribution of wealth in order to reduce poverty, those policies and mismanagement in implementation led to high inflation. (Habibi, 2008) Moreover, the role of IRGC in the economy is very important; it has a major control in different sectors of the economy such as construction, car manufacturing and telecommunication. (Amineh, 2010) As previously mentioned, Ahmadinejad's disagreement with privatization led to a request to supreme leader in order to modify that system, which resulted in Ahmadinejad's "privatization Scheme" that led to privatization of some significant sectors of the economy including foreign trade and banking system and paved a way for IRGC to get control of these sectors. (Habibi, 2014)

The Subsidies reform is an important point in Ahmadinejad economic policies that were submitted to parliament in December 2008 and after a year of debate, were approved in January 2010 entitled 'Targeted Subsidies Law (TSL)'. The Subsidies plan applied during 1980s on energy production and some basic foodstuff and medicine in

order to confront challenges. However, that plan was costly for the government, but approval of the subsidies reform in 2010, which included removal of the government subsidies on basic food stuff and in return people got small monthly cash payment, led to increase in prices of goods and inflation. (Habibi, 2014 ; Nikou, n.d.)

As long as economic sanctions are imposed on Iran, they have their effect on the economy of this country. While they were imposed as a reaction toward the nuclear policy of Iran, sanctions could not prevent or decrease the level of Iran's ambitious for acquiring a nuclear program. So far, economic sanctions have had a high cost on the economy, but there are not exact figure for their effect on the economy due to relations between the Iranian economy and mismanagement policies of government. However, the situation of Iran could be working according to the The Hufbuer-Schott-Elliot Approach, as it concentrates on the idea that economic sanctions cannot affect a target country in political way, but they would be costly for the economic side of the target country. (Hufbauer et al., 1990) While, this approach believes that financial sanctions are vey effective, the case of Iran and sanctions illustrates that Iran is suffering severly from financial sanctions. Further more, the Domestic Politics/Symbolic Approach that looks at Sanctions as a symbol, believes that sanctions will harm interest groups and populations of a target country.(Ibid) It also can be related to the case of Iran, when the impact of the economic sanctions on the Iranian population those who represent interest groups and public is examined.

The study tries to show the impact of sanction on the Iranian economy by concentrating on some indicators including Inflation, Unemployment Rate, Rial Decline and Iranian GDP.

Inflation

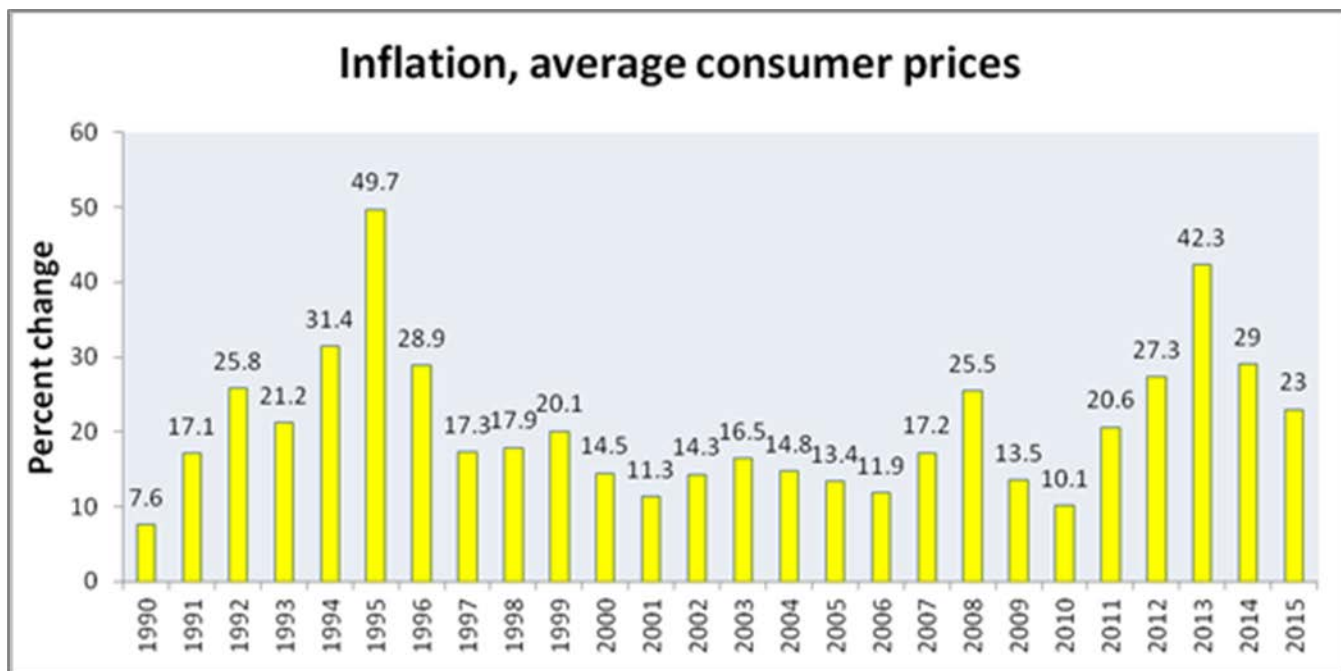


Figure 1/ Islamic Republic of Iran: Average of annual inflation rate, Consumer prices

Source: World Development Indicators, World Bank. Note: Latest data are from 2012. Data of 2013-2015 are estimated by IMF

Average rates of annual inflation are related to the consumer prices, which is undermined by economic sanction in recent years. While, the mismanagement policies of government is crucial in the case of inflation.

In 1995, the inflation rate reached the highest point, which was 49.7 (according to World Development Indicators) and then it remained in double-digit inflation rates. While during Khatami government (1997-2005), there was efforts to manage inflation which decreased it from 20.1% in 1999 to 11.3% in 2001, but after that period, Ahmadinejad's mismanagement policies on the economic side and impact of economic sanctions on Iran inflations rate increased after 2007. The Iranian economy experienced a

bad condition in 2012-2013 with subsidies reform's effects and strict economic sanctions, which targeted the Oil industry. However, the rate of inflation for 2013 is estimated by 42.3% by IMF, but the Statistical Center of Iran estimated inflation rate of 2013 as 33.7%. (Iran's inflation rate hits 33.7 % says Statistical center 2014)

Unemployment Rate

It is clear that the economic sanctions had their indirect effect on the rate of unemployment in Iran that means with increase of sanctions against Iran and their impact on import and export, industrial sector had to fire some stuff and it was a cause to increase in the rate of unemployment. According to the figure 3, unemployment rate of 14.2% in 1990 decreased to the level of 10% in 1991 and then it remained stable for about four years and even decrease to the rate of 9.1% in 1996. But after that it gradually increased and in 2001 it rose to the rate of 16.6%

unemployment rate increased from 11.9% in 2009 to 13.4% in 2010 and then, it decreased to the rate of 12.3 in 2011 and 12.2 % in 2012. However, the Central Bank of Iran estimated the rate of 10.3 % for unemployment rate in 2013 and 10.6 % for 2014, but it estimated by IMF as 13.1 % for 2013, 14.4 % for 2014 and 15.2 % for 2015.

Unofficially, estimated rates for unemployment in Iran for 2012 was about 35% and suggests that the unemployment rate increased because of mismanagement policies of the government and impact of economic sanction which targeted different sector of economy which became unable to import goods and it led to the reduction of workers in different sectors. (Tait, 2012) Kian Tyre, which would be considered as the biggest tyre manufacture in Iran, had to fire about 800 workers in 2012. (Ibid)

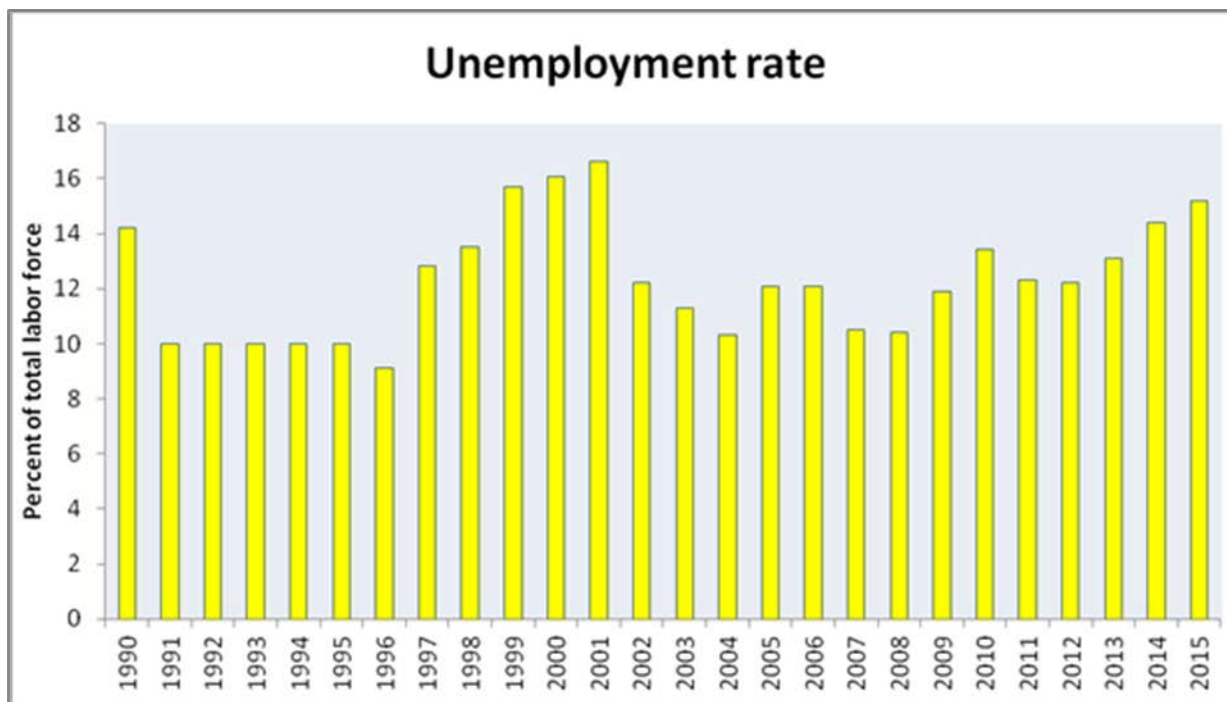


Figure 2/ Islamic Republic of Iran: Unemployment Rate

Source: World Economic Outlook Database. (1990-2012) Note: Data of 2013-2015 are estimated by IMF Staff

The Central Bank of Iran announced the rate of 10.3 % for the unemployment rate in Iran and it was estimated by IMF as 13.1, but Katzman (2013) argued the rate could be about 20% for 2013. (Katzman, 2013)

Rial Decline

The Iranian currency which is based on the Rial, was declined by both the economic sanctions and mismanagement policies of government in economic side. While views about this subject differ and some scholars argue this trouble is not related to the economic sanctions, some believe that the combination of both the economic sanctions and mismanagement policies of government, caused hard currency; Steven Plaut at university of Haifa, Israel argued that economic sanctions are not the cause of hard

currency. He brought the data of rial (Iranian national currency) value during Pahlavi dynasty which was 67.73 to a dollar and it turned to 71.46 rial to a dollar with the Iranian revolution in 1979. Then, he argued that, eight years of war with Iraq and economic policies of the Iranian government caused fall in currency and finally it became 9430 rial to a dollar in July 1999. Moreover, Plaut believes that it did nothing to sanctions. (Plaut, 2013) Furthermore, Ali Alfone an Iran expert at the Washington-based American Enterprise Institute believes that hard currency of rial related to the both of the Iranian economic policies and impact of international economic sanctions: "the free fall of the rial is due to a combination of President Ahmadinejad's economic mismanagement and the international sanctions regime." (Paraszczuk, 2012)

Following that, connection between inflation and currency would lead to devaluation of Rial, Moreover, subsidies reform of the Iranian government resulted in the liquidity in the market and the prices of basic stuff including food stuff, electricity and...etc increased. However, the price of gold also affected rial and with 7% increase in the price of gold in 2012, people lost their faith in their currency and exchanged their properties with gold and dollar, which led to the hard currency. (Plaut, 2013; Sadeghi-Boroujerdi, 2012) In September 2011, in unofficial market the rial exchanged form 13000 rial to a dollar and its value dropped in September 2012 to 28000 rial to a dollar and 40000 rial to a dollar in September and October 2012 and 37000 rial in May 2013. (Katzman, 2014)

In addition, the economic sanctions seemed to have a little impact on currency collapse along with economic policies of the Iranian government. When the Economic sanctions targeted oil export in 2012, it led to decrease in oil revenues and Iran's ability to

import, including import of basic stuff and raw materials. This caused high prices and an increase in the rate of inflation, which led to the collapse of rial.

Altogether, these kinds of the economic sanctions including prohibition of transaction with Iran and Purchase of oil, affected the value of the Iranian currency and when Iranian population loss their faith to the value of rial, their activities caused more decline in rial. Nevertheless, subsidies reform had their role for increase of inflation which targeted the Iranian currency.

Iranian GDP

Gross Domestic Product (GDP), Annual growth by percentage change

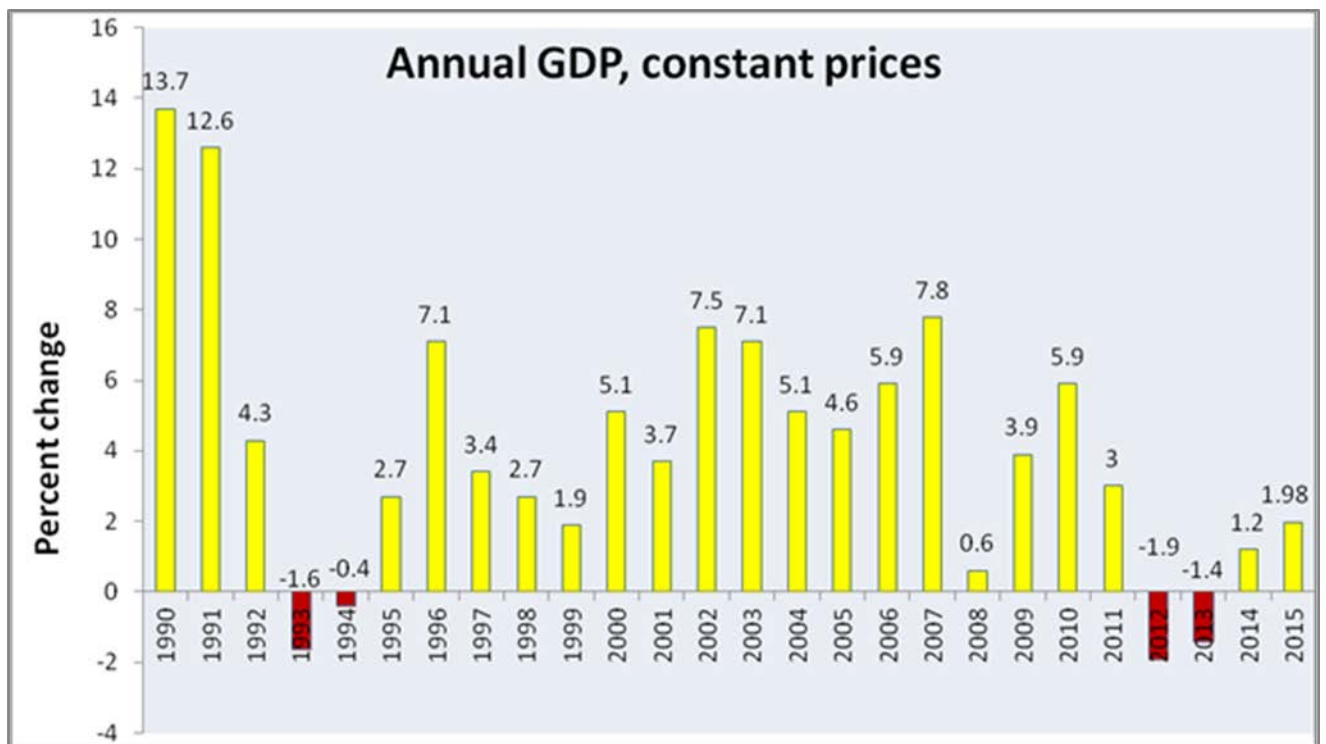


Figure 3/ Islamic Republic of Iran: Gross domestic product, constant prices (Percent change)

Source: World Development Indicators, World Bank. Note: Latest data are from 2012. Data of 2013-2015 are estimated by IMF Staff

GDP, which is based on local currency, includes gross value of producers with product taxes and without subsidies in the value of the product.

Figure 1 illustrates the Iranian GDP at market prices from 1990-2015. The chart illustrates that the year 1990 has the highest rate of GDP (13.7%) in comparison with following years, while in 1993-1994 it declined to the rate of -1.6% and -0.4%. It shows the decline in the GDP in 200 (3.7) in comparison to 2000 (5.1). However, the GDP annual rate increased during 2002-2003 and got to the rate of 7.8% in 2007, but it decreased in 2008 by 0.6%, while the economic sanctions had their own roles, but the main factor was world economic crisis. Despite the drop in oil prices in 2009, GDP increased by 3.9%. During 2012-2013, the GDP declined in compare to 2011 because economic sanctions against Iran seemed to be more effective. The GDP of -1.9% for 2012 with the devaluation of national currency by 40% (Khatinoglu, 2013) and -1.4% for 2013 shows the impact of sanctions on Iran. According to IMF estimated for 2014-2015, the GDP will increase to 1.2 % in 2014 and 1.98% in 2015.

Industrial Sector

(Car Manufacture for instance)

The economic sanctions along with targeting different sectors, targeted the Iranian industrial sector in term of import of raw material, services and necessary goods to Iran. Car manufacture is one of the most important parts of industrial sector, which suffers from sanctions. A lot of companies refused selling auto parts to the Iranian automobile companies. (Sadeghi-Boroujerdi, 2012) Moreover, French Peugeot Company, which

produced car locally with Iran Khodro Group, suspended its operation in Iran in July 2012. (Katzman, 2013; katzman, 2014) However, sanctions caused difficulty for car manufacture to import basic needs of material. The sanctions forced the Iranian car manufacture to fire some of its workers that affected the Iranian population. (Alfoneh, 2012)

As long as the industrial sector relied on the import of goods and raw material from outside and along with financial sanctions on Iran and currency decline, there would be difficulty for industrial sector and businessmen to get credit and they have to pay in cash. It has been argued by Katzman that the automotive sector fell by 40% between 2011-2013, because of the rigid sanctions, which were imposed on Iran and targeted financial system. (katzman, 2014)

Iranian Population

Iranian civilians seemed to be the most vulnerable victims of the economic sanctions. Various sanctions imposed on Iran in response to the Iranian nuclear policy in recently years. These sanctions affected the economy of Iran and weakened the economy including inflation and rise of prices of goods and unemployment which affected the population of Iran. Moreover, some sector, which are in direct connection with population such as health care and education targeted by the U.S. economic sanctions.

Ban Ki-Monn, the UN Secretary General insisted in suffering of Iranian population from economic sanctions in August 2012 in his report to the UN General Assembly. He stated that:

"The sanctions imposed on the Islamic Republic of Iran have had significant effects on the general population.

[These include] an escalation in inflation, a rise in commodities and energy costs, an increase in the rate of unemployment and a shortage of necessary items, including medicine." (Marshall, 2012)

On the subject of impact of sanctions on the Iranian population, the study concentrates on two subjects related to this field, including health care and education.

Health Care

The health sector in Iran is severely suffered from sanctions in term of increase in the prices of medicine; some important medical equipment, drug and chemical medicine

are restricted from importing to Iran, because the U.S. believes that Iran may use those chemical medicine for make weapons and even medical equipment could be used for military purposes. It should be noted that those kinds of chemical medicine, which are prohibited from import to Iran, include some medicine and drug related to cancer, diabetes and hemophilia and prohibiting these drugs from import to Iran has affected Iranian patients. (Hedges, 2013)

Since 1999, the Office of Foreign Assets Control (OFAC), which is connected to the U.S. department of Treasury monitoring sanctions on Iran and in some cases, the office offered license for importing food and medical supplies to Iran in order to prevent humanitarian consequences. On October 22, 2012, the OFAC made a list of medicine, which get license to export to Iran. The list included some medicine and equipment such as Scapels, Prosthesis, Beds (hospital), Bed pans, Blood Lancets and Forceps. (OFAC, October 22, 2012)

Moreover, the OFAC prepared a list on July 25, 2013, which offered license to export of electrocardiogram, electro-encephalogram and dialysis machine to Iran. (Katzman, 2013) but it did not prevent shortage of medicine in Iran. It was reported in November 2012 that a 15 years old boy died in Iran due to lack of medicine for hemophilia¹¹. Following that, according to Ahmad Ghavidel, the director of Iran's Hemophilia Society, 75% of the medicines for hemophilia are imported from outside and it makes Iran to become vulnerable in case of importing these medicines. (Kamali Dehghan, 2012; Fardad, 2013)

¹¹ Manochehr Esmaili-Lioui a 15 years old boy died in Dezfol city of Khuzestan province in the Southwest part of Iran because of lack in hemophilia medicine.

Furthermore, the sanctions did not directly target import of medicine to Iran, but sanctions on financial system make it hard for Iran in order to import medical treatment and equipment. Iran's former Health Affairs Minister, Marzieh Vahid Dastgerdi, criticized the role of sanctions and policies of the Iranian government in health sector, when she declared that from \$2.4 billion that approved for medicine imports, just a quarter of that budget used for that purpose, because the foreign banks refused to the finance and shipment of medicine to Iran. That criticism forced President Ahmadinejad to fire her from her responsibility as health affairs minister in March 2013. (Hedges, 2013)

Richard Garfield at Columbia University argued that, while Iran is active in its domestic drug and vaccine industry and produces about 90% of its own use, but the country needs to import new drugs, which are related to the cancer, diabetes, Aids and other disease as well as import of raw material. (Butler, 2013)

Altogether, the economic sanctions restricted financial system and trade on one side and restriction of oil export in other side caused a lot of trouble for the Iranian economy which affected Iranian population in various ways and restriction in medicine import or increase in the price of them is one of the most important example of humanitarian effect of economic sanctions on Iranian population.

Education

Like any other aspects of damage inflicted on population by economic sanctions, education is indirectly targeted by sanctions; Iranian student especially, who study abroad, being confronted by sanctions and will hit by them in term of prohibition on the financial system which restricts the money transfers for instance. To continue, the Iranian

families cannot send money abroad for their children due to effectiveness of sanctions which target financial system and Iran Central Bank. (Gordon, 2013)

Moreover, the Education Testing Service (ETS) was prohibited in 2010 from registering Iranian students to take TOEFL test (English test for non-native English speakers) in Iran. That prohibition directly affected those students which would like to apply for study abroad. (Harris, 2014)

Oil sector

Iran has been accounted as the fourth largest field of the World for its oil reserves and according to the report of Oil & Gas Journal (January 2013), 154 billion barrels of proven oil reserves make 9% of World oil reserves and 12% of OPEC reserves. (eia, 2013) According to the U.S. Energy Information Administration (EIA), the Iranian energy dividends on petroleum (39%), Gas (59%), Coal (1%) and hydropower (1%). Gas sector is underdevelopment and it mostly used for domestic level. (Ibid) Oil which can be accounted as an important sector in Iran, was discovered in 1908 in Iran and developed gradually. With Iranian revolution in 1979, all oil-related contracts with foreign companies were cancelled and it has been controlled by the National Iranian Oil Company (NIOC). While there were possibility of corporation of foreign companies in Iran's oil field during 1990s, but in 1995, the U.S. sanctions against Iran titled ILSA affected oil sector with prohibition in trade with Iran. (Islamic Republic of Iran, 2014)

The Economic sanctions against Iran have targeted exports, Imports, Iranian access to the U.S. and EU financial system, foreign investment in Iran and the Iranian Banks since 2010. Moreover, Economic Sanction become tough especially in oil sector between 2011-2012 which caused unprecedented dropping in export of oil in 2012. As mentioned, all of these sanctions affected the oil sector in term of the export of Iran's oil, which resulted in a decline in oil produce, export and revenues in 2012. Iran's export of 2.5 Million bpd of oil in 2011 dropped to 1.5 million bpd in 2012. Moreover, its production reduced by 17% in the same year. While, Iran tried to avoid that reduction of oil production by storing this oil, which were not sold in oil tankers in the Gulf, but it was

not successful and in July 2012, about 65 tankers were in the Gulf, looking for buyers. (eia, 2013; Katzman, 2014)

According to the EIA, the Iranian oil revenues in 2011 was about \$95 billion, while it reduced to about \$69 billion in 2012 (eia, 2013). It has been argued by Katzman (2014) that Iran's oil revenue declined from near \$100 billion in 2011 to about \$35 billion in 2013. (katzman, 2014)

According to these details, the economic sanction concentrated on the oil sector of Iran in order to reduce the Iranian capability in production and revenues, while a large part of government spending and economic growth relied on the oil revenues, these sanctions indirectly affect Iranian ability in improve its nuclear program. Furthermore, the economic sanctions on Iran resulted in lack of foreign investment and Iranian difficulty to import equipment. Some foreign firm, who were involved in Iran's oil sector, suspended their activities due to tightened sanctions on Iran. For example, the Azadegan oil field is one of the biggest oil field of Iran, which includes two parts of North and South Azadegan. China's National petroleum Corporation is working on the North part and Consortium of NIOC and Japan's INPEX were working on the south part of Azadegan oil field, as per the signed contract in 2004, but the economic sanction resulted in the halt of Japan's INPEX activities in Iran. (eia, 2013) The U.S. official estimated loss of \$60 billion because of sanctions, which forced foreign firm to halt their projects in Iran. (Katzman, 2014) Iran's oil field suffered from depletion of their production capacity and it relates to natural causes, and while Iran needs foreign investment in order to stop that depletion, sanctions on foreign investment prevents any investment by foreign firm in Iran's oil sector or import of new technology and equipment to Iran. (eia, 2013)

Overall, implementation of sanctions in the late 2011 and mid 2012 caused fall in Iran's crude oil production along with the EU sanctions of prohibition of insurance in July 2012, which affected Iran's oil buyers. With lack of foreign investment, oil production in Iran remains flat, while IMF reported that Iran needs modern oil recovery technology for its oil production in order to stop that decline. (GAO, July 29, 2010)

Although the U.S. imposed different sanctions on Iran, non of them was as effective as sanctions on oil sector, because those sanctions directly affected oil revenue, along with sanctions on financial system and restrictions of the Iranian ability in financial system. These sanctions led to a decrease in the level of production and export of oil and affected government spendings which relied on oil revenues. With the decrease of oil revenues and a lack of foreign investments in Iran, which seemed to indirectly target Iranian capacity in developing nuclear program, there was a possibility for negotiations regarding Iran's nuclear dossier in November 2013, as the financial sanctions along with sanctions on oil had caused difficult conditions for Iran and it become very hard for the country to circumvent the sanctions.

Negotiations and Deals

Pressures on Iran, which were caused by sanctions especially after 2011 which targeted oil sector, brought a new phase in Iran policies, that concentrated on negotiations in order to achieve a deal, especially when Hassan Rowhani won the elections in June 2013 and came into office as the President of Iran. His slogan during his presidential campaign was "bring a fresh start to Iran's foreign policy and the nuclear standoff". (Paivar, 2013)

So far, Rowhani's efforts as the president of Iran, have brought an interim deal, which was reached on November 24th, 2013, which insisted on the halting of all of the uranium enrichment above 5% and on not installing any other centrifuge plus no further construction for the Arak reactor. In return, the U.S. agreed to impose no more sanctions for six months and suspend sanctions on gold, precious metals, the automotive sector and petrochemical sector, and allows Iran to transfer \$4.2 billion for its oil sales. Moreover, the interim deal provided financial channel for Iran to import medicine, but the mechanism for that transfer still seems to be unclear. (Marcus, 2013)

The fact that the six months interim deal started in January 20th, 2014, illustrated that there are possibilities for solving the nuclear issue of Iran, but it is not clear, whether Iran keeps the same policy after this period or decides to go back to the previous policy, which would cause new sanctions followed by economic vulnerability and population hurt.

Discussion

As far as the study concentrated on, economic statecraft as an instrument has been used by the U.S. to confront Iran in order to persuade this state not to continue its policies, especially nuclear policy. It is obvious, that different economic sanctions imposed on Iran effected the economy and population of this country. According to the Hufbuer-Schott- Elliot Approach and The Domestic Politics/ Symbolic Approach, the sanctions are imposed on a target country as a signal in order to affect it with their outcomes in an economic way. In the Iranian case, the economic sanctions seemed to be a signal of a disapproval of the Iranian policy, but their outcomes affected more the economy and the population of Iran than the Iranian nuclear program. But as it proposed

in the research, those sanctions could not have changed the policies of Iran, although economy and population suffered from sanctions. But it should be noted, that sanctioning oil could have changed the policies of the government, when they targeted the oil sector, and sanctions on financial system restricted Iran's ability to obtain its oil revenues.

The effectiveness of sanctions on oil sector can be proved when the study looked at the effects of the pressure in 2011 and in 2012, which caused Iran losing its revenues from oil. The oil plays an important role in Iran and seems to be not only an engine for economic growth but also a huge part of the government spending relied on oil revenues. It can be argued that sanctions on oil would relate to the 1990s, when ILSA affected Iran's oil sector and prohibited foreign companies from transaction and investments in Iran. But it is necessary to be mentioned that during that period those sanctions were not strong enough to undermine oil sector of Iran and it was easy for Iran to circumvent sanctions by concentrating on Russia and China, which were reluctant to implement of sanctions. However, latest sanctions on Iran in years 2012-June 2013, especially oil sanctions along with relevant financial sanctions, limited Iranian access to financial system. So far, banking sanctions have constrained Iran's ability to move its profits from oil sales, and it has caused economic hardship with its consequences on inflation rate, rial decline and GDP. (Paiwar, 2013)

After all, economic sanctions seemed to be an instrument for changing the policies of Iran, but overtime they became a weapon for targeting economy and population without causing a change in the policies of the government regarding its nuclear policies. Moreover, the role of propaganda as an instrument of statecraft is important and it has been used by both sides, Iran referred to them as "worthless pieces

of paper" (Mousavian, 2008: 188) and it illustrated that they could not have had enough effect on the government. Moreover, as Justine Logan, director of Foreign Policy Studies at the Cato Institute claimed, sanctions were designed to change the policies of Iran and overtime to cause pain on population, in order to prepare population for political unrest and collapse of regime. (NIAC staff, 2012) But this aim was not successfully achieved, as sanctions just caused hardship on economy and population. The U.S., by concentrating on oil sector especially in 2012, obtained its objectives regarding the Iranian case, which was to force Iran to negotiate and achieve interim deal in November 2013. It seemed to have a direct relation with the carrot and stick approach, which concentrates on punishment and reward. Sanctions on Iran used as punishment toward this state regarding its activity in nuclear program, while they became severe, especially with their effects on oil sector, Iran started to negotiate and with interim deal Iran could transfer \$4.2 billion of its oil sales as a reward.

To summarize, the Chapter concentrated on the impact of the sanctions on different sectors, to show that while sanctions brought hardship on the economy and population, but the policies of the government did not change until the sanctions seriously affected oil sector and it directly undermined government's budget and forced the Iranian government to negotiat. In section of discussion as a part of this chapter, different theoretical framework have been examined according to the facts which are related to the impact of sanctions on this country.

General conclusions

The study attempted to explain the actions of states toward each other in order to achieve their foreign policy objectives, by using different tools of statecraft including diplomacy, propaganda, economic statecraft and military option. In this regard, the research focused on the relations between the U.S. and Iran and Iranian policy of nuclear program which caused the U.S. reaction in the use of economic statecraft with concentration on employing economic sanction on Iran. In general the imposing of sanctions increased by the end of the Cold War, especially from the U.S. side toward various target countries; in some cases sanctions failed to achieve their objectives for sender countries and did not force target countries to change their policies, while, in some cases Libya for instance illustrated that economic sanctions can be used as an useful tool.

The research with concentration on qualitative methodology of data collection and content analysis tried to illustrate the consequences of imposing sanctions on the target country.

As long as the Gulf region is defined as an important area in the U.S. foreign policy, disruptive activities of Iran in this region would cause the U.S. reaction in term of imposing sanctions. Different sanctions have been imposed on Iran by the U.S. and international organizations especially with publicity of Iranian nuclear policy since 2002. According to the three theories: Carrot and stick Approach, HSE Approach and The Domestic Politics/Symbolic Approach, which are relevant to the case, economic

sanctions have been imposed on Iran in order to make Iran change its policies, but overtime sanctions failed to achieve their objectives, which was to force the Iranian government not to continue its nuclear policy and they just affected the Iranian economy and its population. It is clear that sanctions have their own effect on the economy of a target country and indirectly affect population of that country, as different cases of sanctions illustrate this fact; in different cases of imposing of economic sanctions on different countries such as Iraq, Libya and Cuba, difficulty on the economy of these countries and indirectly affect of sanctions on population would be traced. As the study argued, sanctions had not achieved their objectives until 2010 when Iranian oil sector was hit by sanctions and it directly affected Iranian government, because a large amount of government spendings relied on oil revenues.

In general, restrictions on the oil export of Iran showed that sanctions has brought difficulty on Iran in continuing its nuclear program due to its dependency on the oil revenues. However, the Iranian government dismissed the impact of sanctions, but evidence of reduction in the Iran's oil production and export especially in 2012-2013 and the impact of sanctions on population especially in health sector show that sanctions in reality had their effects, but they had not prevented Iran from halting its uranium enrichment until 2013, when Iran and power 5+1 got a six months agreement in November.

The author believes that both, mismanagement policies of government on one side and economic sanctions against Iran on the other side, led the economic situation of Iran to become even worse, but it did not make Iran negotiate and stop its nuclear activities. Reductions in oil purchases, as a result of sanctions which directly affected the Iranian

government revenues, forced Iran to negotiate and reach agreement with Western powers. Even so, it is still not clear whether Iran remains to its promises to suspend its nuclear program, or it is just buying time in order to continue its program in the future. But it is clear that if Iran continues its nuclear program at the end of that six months of agreement, western powers will introduce new round of strict sanctions on Iran.

These three theories relevant to economic sanctions (Carrot and stick Approach, HSE Approach and The Domestic Politics/ Symbolic Approach) which were examined in this study, would be applied on other cases with concentration on their effects on the economy and population of a target country. For example, in the case of Syria, the possibility of imposing sanctions on this state, its situation becomes even worse, these theories would be applied in case of showing sanctions as a signal toward the target country while sanctions have effects on the economy and population. Although, in the case of Ukrainian crisis, which defined possibility of imposing sanctions on Russia, these theories, especially Carrot and stick approach, would be examined, but it is hard to expect positive result, because Russia is accounted as a powerful state and it is rarely expected sanctions to be effective in this case.

As long as this study is concerned, the impact of economic sanctions on the Iranian economy, population and more importantly oil are examined. The study did not discuss other tools, such as the possibility of military operation against Iran. Moreover, it tried to offer some recommendations in order to a better understanding of the nature of economic statecraft as a tool of statecraft for achieving foreign policy objectives:

As mentioned, the U.S. achieved its foreign policy objectives by imposing strict economic sanctions, especially on oil sector of Iran and forced Iran to halt its uranium enrichment at least for six months and it is expected that after six months of agreement, if Iran could not continue its deal and the agreement could not be renewed, sanctions could increase. The sanctions on the oil sector seemed to be much more effective than any other sanctions imposed by the U.S. in order to achieve its foreign policy objectives toward Iran. They affected the Iranian revenues, but the humanitarian effect of sanctions which targeted the population, changed the view of the Iranian population toward the U.S. and has brought this idea that whether sanctions are a reaction to the nuclear program of Iran or intended to bring difficulty and hardship to the civilians. It seems to be the best option to concentrate on the oil sector of Iran and to target it by whatever means are necessary more than to hit the population.

However, there has been reluctance in the implementation of sanctions by some countries, including China and Russia, due to their close relation with Iran, and it led Iran to circumvent sanctions easily, while sanctioning oil sector of Iran and targeting Iranian access to financial system make it difficult for Iran to circumvent sanctions. The U.S. and others should increase their efforts to persuade these countries to implement sanctions against Iran. Furthermore, Iran tries to circumvent sanctions, which in some cases has brought a harsh reaction from the U.S., for example, the sanctions against a Greek businessman which were mentioned in Chapter Three. The U.S. should increase its monitoring in order to avoid any opportunity for the Iranian government to circumvent the sanctions.

Finally, it should be noted that economic statecraft was a strong instrument toward Iran and the U.S. did achieve its foreign policy objectives in confronting this country and temporary stopped Iran from continuing its nuclear policy. While, diplomacy along with economic statecraft caused deal with Iran as showed, propaganda has been used by both sides against each other. On the Whole, military option will remain on the table, but it is hardly expected to be used, because there is a potential for solving the matter by negotiations.

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