The withdrawal of the United States from the Joint Comprehensive Plan of Action (JCPOA) on the Iranian nuclear programme has once again exacerbated the issue of sanctions against Iran. Donald Trump’s decision on the JCPOA means that the United States will return to the regime of comprehensive economic sanctions against Tehran that was in place before the “Iran nuclear deal” was signed. The demarche of the U.S. administration has sharply increased the uncertainty for Iranian businesses that trade internationally, as well as for their partners abroad, due to the extraterritorial nature of the sanctions. The United States Department of the Treasury is authorized by Congress and the administration to impose fines or take other measures against individuals, companies and states that cooperate with Iran on a range of issues outlined by the American side. Trump’s decision has been harshly criticized by all participants in the JCPOA, including allies of the United States. The current situation indicates the new logic of international relations when it comes to the Iranian nuclear programme and other issues to which key actors have very different approaches. It seems that the situation is here to stay, taken the United States in unlikely to reconsider its decision.

The new reality of the JCPOA give rise to research problems that can be formulated as a series of questions. In terms of looking into the future, the question is: how effective will the new sanctions policy of the United States against Iran be? In other words, to what extent will the Americans succeed in forcing Iran to change its political course and fulfill its key political demands? The unfolding situation also requires a revision of more fundamental questions that are relevant to the study of the politics of economic sanctions. One of the most important of these is: why are sanctions effective in some cases, but fail in others? Why do the “target countries” sometimes make concessions, but on other occasions remain committed to their goals in spite of the losses incurred as a result of the sanctions?

The hypothesis of this study is that the effectiveness of sanctions depends on two basic factors. First is the damage caused to the target country as a result of sanctions being imposed. The higher the damage, the more likely the country is to make concessions. The second factor is the degree of consolidation within the coalition of countries that initiates the sanctions (primarily the United Nations). The greater the level of consolidation and the greater the coordination of the coalition’s actions, the more likely it is that the target country will make concessions. Clearly this dependence is nonlinear. For example, in some cases minimal damage or minimal consolidation yield results, while in others even large-scale losses and a high degree of coordination among the
initiating countries have little success. Nevertheless, in this study, we are interested in
the direction of dependence and the nature of the cause and effect relationship.

It is also important to note that a whole range of other independent variables needs to
be taken into account in addition to the abovementioned factors. These include: the
level of consolidation of the political regime and the internal stability of the target
country; the unity within the initiating countries on the issue of sanctions; the set of
sanction tools; the balance of power between the target and initiating countries; the
nature of political relations between the target and initiating countries; the level of
development and diversification of the target country’s economy; the threat of the use of
force; the presence of so-called “black knights” – alternative trade and financial partners
who conduct business with the target county in spite of sanctions, etc.

The most important factors are the damage caused to the target countries and the
solidarity of the coalition of the countries imposing sanctions, as evidenced by a number
of recent qualitative studies in which the influence of certain variables was “weighed” on
the basis of an analysis of the Threat and Imposition of Sanctions (TIES) database for
888 episodes of sanctions wars. In particular, the study carried by Navin Bapat et al
demonstrated that the most significant factors in the success of sanctions are the
damage caused and the existence of a coalition on the basis of international
organizations [Bapat et al. 2013: 79–98]. However, the results of this qualitative analysis
should be taken with a grain of salt, as they are sensitive to changes in conditions and
parameters. The numerous studies into the effect that independent variables have on
the effectiveness of sanctions have not always produced comparable results. The key
studies in this area include the work carried out by Gary [Hufbauer et al. 2009], Daniel
Drezner [Drezner 2015], Susan Allen [Allen 2005], Shane Bonetti [Bonetti 1998], Bryan
Early [Early 2011], William Kaempfer et al [Chao, Kaempfer, Lowenberg 2003], Valentin
Krustev [Krustev 2010], among others.

We will look at the cause and effect relationship of these variables using the example of
the sanctions imposed against Iran. The paper follows the logic of a case-study analysis
and is not a quantitative study in the spirit of the works mentioned above. The term
“case study” will be used in the sense in which it is defined by John Gerring in his
fundamental work on the research method [Gerring 2007]. The works of Van der Graaf
[Graaf 2013] and Susan Maloney [Maloney 2015] can be used as examples of such an
approach to the analysis of the case of Iran.

The main thesis of this work is that the next round of U.S. sanctions against Iran
following the withdrawal of the United States from the JCPOA is unlikely to bring about
a change in Iran’s position on complying with the demands of the Americans. The new
sanctions policy of the United States will be ineffective. This can be put down to the fact
that the United States will not be able to set up a stable international coalition of
initiating countries on the basis of the UN Security Council and beyond. This, in turn, will
allow Iran to circumvent the sanctions against its energy sector – the most sensitive
sector of the Iranian economy. In other words, Iran will be able to minimize the damage
from the sanctions. The current situation is radically different from the policy that
brought Iran to the negotiating table in 2013, when the United States was able to create
a stable coalition and inflict serious damage through the successful combination of
financial and sectoral sanctions. The international legitimacy of the sanctions paved the
way for the extensive use of the principle of extraterritoriality. The unilateral actions of
the United States in the 1980s and 1990s were not effective, which gives reason to
believe that unilateral steps are unlikely to bring success at the stage too.
The key research procedure of our analysis here will be a study of the political history of sanctions against Iran at various stages. The concept of sanctions and the relationship with similar categories (trade wars, etc.) was examined in a recent paper [Timofeev, 2018]. The U.S. regulatory framework that governs the sanctions against Iran, as well as various UN Resolutions and other documents, have been used as the source base for this article. The methodology employed is in the spirit of “old institutionalism,” with its focus on the study of formal institutions and the “rules of the game.”

Historically, sanctions have been imposed against Iran both to contain its nuclear ambitions and to address a wider range of issues. These include: containing the development of the country’s conventional weapons and its missile programme; allegations of human rights violations; suspicions of supporting terrorism; the detention of foreign citizens; naval activity in the Persian Gulf, etc. As a rule, the United States has been the harshest initiator of sanctions, levying them on the widest range of issues possible and proposing the most debilitating restrictive measures. The United States has also traditionally combined its sanctions policy with the launch of military operations or the threat of using military force against Iran. At the same time, the Americans have gradually moved away from unilateral actions or narrow coalitions to the understanding that they need broader and stable unions of initiating countries.

The roots of the sanctions war against Tehran go back to the early 1950s, when, in 1951, the United Kingdom and the United States declared a boycott of Iranian oil and oil products following the nationalization of the Anglo-Persian Oil Company by the Iranian government. Back then, the nationalization of western companies was quite common, and it the practice of imposing sanctions against expropriators was also implemented widely. However, in the case of Iran, Washington and London were quick to resort to the use of force. In the course of Operation Ajax, the democratically elected Prime Minister of Iran was overthrown with the help of the American and British special services. The new government quickly restored the status quo. An international consortium was established, with the United States and the United Kingdom receiving key shares. It is difficult to assess the success or failure of sanctions in this case, as the use of force quickly replaced economic pressure.

The next episode of sanctions being imposed against Iran came in 1979, when U.S. diplomats were taken hostage during the Iranian Revolution. In response, President of the United States Jimmy Carter froze all Iranian assets in the United States (Executive Order No. 12170 dated November 14, 1979), and in April 1980, introduced a large-scale trade embargo. Executive Order No. 12205 and Executive Order No. 12211 banned the import and export of goods to and from Iran (with the exception of humanitarian cargoes) [1]. It was prohibited to make available credits or loans, and Iranian imports were blocked. The oil sector suffered most as a result of the ban on imports, with production falling to almost zero after the introduction of the sanctions, compared to roughly 500,000 barrels per day or so it had been churning out before the Iranian Revolution [Graaf 2013: 147]. The Americans also tried to secure the release of the hostages. However, Operation Eagle Claw turned into an unmitigated fiasco that only ended up strengthening Tehran’s negotiating positions. Despite this, the Iranians gave up the hostages following the death of Shah Mohammad Reza Pahlavi. The costly war with Iraq played a role here, as the U.S. sanctions increased the expenses associated with waging a war. The Americans could have used this circumstance to their advantage, but instead chose to repeal the sanctions after the hostages were released (Executive Order No. 12282 dated January 23, 1981).
The hostage crisis marked several trends. First, the sanctions played a role in exerting pressure on Iran, especially against the background of the failed military operation. The Iranians lost access to the U.S. market completely. The formal revocation of the sanctions did not lead to the restoration of oil deliveries, and they remained at a pitiful level, drying up completely by the early 1990s. At the same time, the sanctions only worked in conjunction with another extreme factor – namely, the war with Iraq. Tehran quickly adapted to the trade embargo, directing its exports to other consumers. The costs of losing the U.S. market were offset by trade with Western Europe and Asia Pacific countries. Japanese banks continued to cooperate with Iran, and traders bought oil, even at inflated prices. Iran was helped by the situation on the oil markets – the general instability of the markets worked to the advantage of suppliers [Ergin, 2011: 760–763]. Considerations of the economic benefits outweighed political loyalty, and the attempts of the American side to exert pressure on Iran failed.

This episode demonstrated that the impact of sanctions is limited without a coalition, even if they are imposed by the likes of the United States. The ineffectiveness of the sanctions forced the United States to resort to the use of force. The use of force may have proved unsuccessful in 1979–1981, but it was precisely thanks to the military might of the United States that it was able to achieve success in the next outbreak of tensions in U.S.–Iran relations. In 1987, against the background of the so-called “Tanker War,” President of the United States Ronald Reagan introduced sanctions against Iran for supporting terrorism, attacking ships bearing the U.S. flag, and threatening the freedom of navigation in the Persian Gulf. Executive Order 12613 dated October 30, 1987 banned Iranian imports to the United States. By that time, oil supplies were insignificant, so the new sanctions were more symbolic in nature than anything else. The factor of military force, however, was decisive. April 1988 saw the launch of Operation Praying Mantis, the largest naval battle since the Second World War, which ended in victory for the Americans over the Iranian forces in the Persian Gulf. The sanctions proved ineffective, but, like in the previous instances, they were a precursor for the use of military force.

This notwithstanding, moving forward, the Unites States chose to intensify sanctions and avoid the use of force. The next round started during the presidency of Bill Clinton. For the first time in the sanctions history of the two countries, the United States imposed restrictions against Iran on the suspicion that it had attempted to obtain weapons of mass destruction (WMD). A special feature of this new stage was the consolidation of the branches of power in the United States. Previously, only the president had the power to initiate sanctions; now Congress could do so as well. Clinton introduced a series of executive orders (Executive Order No. 12957 dated March 15, 1995, Executive Order No. 12959 dated May 9, 1995 and Executive Order No. 13059 dated August 19, 1997) [2]. U.S. citizens were forbidden from taking part in the development of, or providing loans to, the Iranian oil and gas sector. A trade embargo was introduced, and investing in Iranian property was banned.

For its part, Congress voted in favour of the Iran and Libya Sanctions Act (Libya was removed from the Act in 2006) – the so-called ILSA, and then ISA [3]. In parts, the Act was very much in the spirit of the presidential decrees. It set the task of undermining Iran’s economic capacity to finance “terrorist activities” and develop WMDs and missile technologies. The main target of the sanctions was again the energy sector, although a few novelties were introduced into the law. First, Congress required the Executive Branch to create a mechanism for applying international pressure on Iran. This suggested that the American side now understood that Iran would be able to
successfully circumvent the sanctions if a coalition of initiating countries was not created. Congress believed that similar laws should be passed by the United States’ closest allies – Israel, Japan, the EU countries, Australia and South Korea. Third, the energy sanctions were supplemented directly with bans on supplying and insuring vessels and on shipping oil products to Iran. Another new item was the application of the principle of extraterritoriality, that is, sanctions applied to U.S. citizens and companies, as well as to foreigners.

The practical application of the law has delivered negligible results for U.S. diplomacy. The principle of extraterritoriality was negatively received by the United States’ allies, and it was not used for a long time. Iran successfully continued the policy of diversifying its markets. The sanctions effectively continued to be unilateral, but this episode laid the groundwork for important features of the policy that was to come. A strong consensus began to emerge in the United States that was aimed at the creation of a powerful international coalition of countries that could initiate sanctions against Iran. Additional (financial and insurance) mechanisms started to be tacked on to the trade sanctions. And Congress started to play a far more serious role in the formation of the United States’ sanctions regime.

**Increasing the Damage Caused by Sanctions through Coalition**

A series of UN Security Council Resolutions served as an important step towards the formation of a sanctions coalition against Iran. A recent empirical study on the issue of sanctions conducted by the University of Hamburg’s Michael Brzoska revealed an interesting trend: the majority of the sanctions imposed by the UN Security Council (78 per cent) were initiated after unilateral sanctions had already been levied against the target country. Countries initiating sanctions often attempt to add to their own sanction regimes within the United Nations by actively supporting the relevant resolutions [Brzoska 2015: 1339-1349]. This behaviour is a good description of the strategy adopted by the United States towards Iran. Faced with the difficulties of forming an anti-Iranian coalition, the United States made serious efforts to promote the adoption of sanctions within the United Nations. Once the sanctions were adopted, the United States then set about adding their own unilateral restrictions to them. In other words, the UN Security Council, despite its limited capabilities, has turned into a serious instrument for internationalizing sanctions. The other Security Council members have benefitted from this too, as they can state their position on a given issue by softening and manipulating the proposed decisions, as well as by developing draft resolutions.

The first UN Security Council Resolution on the Iran’s nuclear missile programme (No. 1696) was adopted on July 31, 2006. At first glance, it appeared to be completely ineffective. The resolution obliged Iran to cease all work related to the enrichment and processing of radioactive materials, including for the purposes of research. The International Atomic Energy Agency (IAEA) was tasked with providing exhaustive information on the state of Iranian developments in the area. The resolution did not impose any sanctions on Iran, although it did warn that it had the authority to do so under Chapter VII, Article 42 of the UN Charter. This proved to be an important victory for U.S. diplomacy. Washington had succeeded in internationalizing the issue that it had brought up a decade earlier. The other Security Council members also had cause to declare it a diplomatic success for themselves. They became active participants in the solution of the problem, not allowing the United States a monopoly and maintaining a course towards the adherence to the Treaty on the Non-Proliferation of Nuclear Weapons.
As expected, Iran did not comply with Resolution No. 1696, leading to the UN Security Council introducing sanctions against the country, which it has been consistently expanding since. Resolution No. 1737 was passed in December 2006. It prohibits states from supplying Iran with materials that could be used in the implementation of its nuclear missile programme and from carrying out financial transactions in relation to such materials. The resolution also includes a list of Iranian legal entities and individuals whose movement abroad was to be restricted and whose assets were to be frozen. Initially, the list was short, consisting of just 12 individuals and 10 companies. However, in March 2017, the UN Security Council was already voting on Resolution 1747, which expanded the list. In addition to people and companies involved in the nuclear missile programme, the updated list included organizations and individual heads of the Islamic Revolutionary Guard Corps. In addition, the resolution prohibited the import of arms from Iran, imposed restrictions on the export of virtually all conventional weapons to the country and called for all countries and international financial institutions to refrain from providing Tehran with subsidies, loans or financial assistance, with the exception of humanitarian programmes. The sanctions were expanded a year later, in March 2008, with the adoption of Resolution No. 1803, which expanded the list of individuals and legal entities subject to visa restrictions. Restrictions were also extended to Iranian banks and their overseas branches – vigilance is recommended when conducting business with such entities in order to make sure that the proceeds from transactions are not used to finance the nuclear missile programme. The Financial Action Task Force on Money Laundering (FATF) was now also involved in the development of financial measures against Iran. Additionally, the resolution gave the authority to inspect Iranian ships and aircraft if they are suspected of carrying restricted goods.

However, all these measures failed to put a stop to the Iranian nuclear programme. For example, by 2010, Iran was enriching Uranium to 20 per cent and had set up a uranium enrichment facility in Qom. In response, the UN Security Council passed Resolution No. 1929, significantly tightening the sanctions. The resolution banned all foreign investments into the development of nuclear and missile materials and technologies. Along with the ban on the supply of the main types of conventional weapons, the resolution also prohibited the training and instruction of Iranian military specialists outside the country. The list of individuals and companies under sanction, including transport companies, was expanded. A number of foreign transport companies also made the list. In addition to cargo inspections at ports and airports, a new regime for such inspections on the high seas was introduced. States are now required not to provide refuelling and support services to ships suspected of carrying prohibited cargo. The financial sanctions were also expanded to include all banks suspected of assisting the nuclear programme (in reality, this affected just about every bank in the country). These banks were prohibited from opening any new branches abroad, and states were prohibited from carrying out operations with them. It is also important that, unlike the previous resolutions, Resolution No. 1929 noted the link between revenues from the sale of oil and the financing of nuclear developments. This subsequently became an important argument in favour of individual countries imposing sanctions against the Iranian energy sector.

Extending UN Security Council Sanctions: Diversifying Instruments and Improving Extraterritorial Sanctions

At the same time, the American side was busy working on unilateral additions to the sanctions. An important characteristic of this policy was to actively combine trade and sectoral sanctions (which can conditionally be called “frontal” sanctions) with financial
sanctions (which can conditionally be called “lateral” sanctions). Financial sanctions paved the way for the in trade and sectoral restrictions to be strengthened. The United States improved the financial monitoring of transactions with Iranian banks and companies, which made it possible to identify offenders in an effective manner and then use extraterritorial sanctions. The appearance of the UN Security Council resolutions qualitatively changed the legitimacy of extraterritorial sanctions. Until that time, they had generally been seen as a whim of Washington. After the resolutions were adopted, however, the United States’ allies, as well as third countries, were suddenly forced to take them very seriously. The much-publicized levying of fines by the Americans against European banks saw little resistance in the countries of their jurisdiction. “Frontal” and “lateral” sanctions were supplemented with “background” sanctions, which included, for example, restrictions of the movement of certain Iranian nationals and politicians outside of Iran.

The sanctions were toughened both through Congress and through the U.S. Administration. In 2010, Congress tightened the sanctions considerably when it adopted the Comprehensive Iran Sanctions, Accountability, and Divestment Act (PL 111-195 — CISADA) and introduced amendments to the 1996 Iran Sanctions Act. The new act brought up the entire history of Iran’s “transgressions”: the nuclear developments; the missile programme; the building up of conventional weapons stocks; the support of Hezbollah; the human rights violations; the arrest of U.S. nationals; and the rejection of proposals to work with the United States and the members of the UN Security Council. Despite the frictions that appeared in relations with its allies following the adoption of the ILSA in 1996, the United States toughened its extraterritorial sanctions against the Iranian energy sector, banning investments into the sector and supplies of oil products to the country. In the spirit of the UN resolutions, sanctions were imposed on the supply of materials and technologies required for the nuclear and missile programme and the furtherance of the armed forces. A ban was introduced on the import of Iranian foods to the United States and of U.S. goods to Iran. The assets of all Iranian nationals suspected of activities promoting the development of the nuclear programme were frozen. States were given the authority to impose sanctions on any Iranian bank and limit cooperation with any foreign bank working with blocked Iranian financial institutions, organizations or individuals. The president was charged with making a list of Iranian officials and other individuals involved in human rights violations, with the subsequent freezing of their assets and the introduction of visa restrictions. All companies involved in public procurement in the United States were obliged to report on compliance with the sanctions regime. The president could also identify countries “of concern” with respect to the diversion of certain goods, services, and technologies to or through Iran and influence them through the export license mechanism.

In 2012, Congress passed another law – the Iran Threat Reduction and Syria Human Rights Act (PL 112-158), which hit the energy sector the hardest. By that time, it was already clear that Iran had successfully withstood the oil and gas sanctions by selling raw materials at discounted prices. By adopting Public Law PL 112-158, Congress was attempting to solve the long-standing problem of control over the export of Iranian oil. This is why the American side tried to restrict the number of consumers as much as possible, pledging their support for alternative producers (primarily Saudi Arabia) and offering discounts to the traditional buyers of Iranian oil which, if turned down, would mean substantial losses for them. Shipowners who transported oil from Iran and oil and gas logistics insurers also fell under the sanctions. Financial sanctions were tightened as well, extending to the obligations of the Iranian government debt. More severe restrictions were imposed on every area that previous laws had touched upon.
(countering the Islamic Revolutionary Guard Corps, human rights, etc.), including extraterritorial sanctions.

The Administration acted in a similar manner. Between 2010 and 2013, President Obama signed a series of executive orders which were then implemented into regulation (executive orders nos. 13553, 13574, 13590, 13599, 13606, 13608, 13622, 13628 and 13645). Executive Order No. 13590, for example, ordered sanctions to be imposed against companies that sell goods, services or technologies for Iran’s energy and petrochemical sectors [4].

Finally, there was the Iran Freedom and Counter-Proliferation Act (IFCA), which was adopted in January 2013 under Public Law 112-239 [5]. The act prescribes sanctions that are reflected in one way or another in previous laws (for example, against shipowners and financial institutions that carry out prohibited activities on behalf of Iranian companies), although a number of important refinements were introduced. Specifically, companies that had carried out a risk assessment and established a set of rules for compliance with the sanctions regime may have the restrictions lifted. Even more significant was the rule that third countries who purchase Iranian oil could have extraterritorial sanctions lifted if they purchased the oil under extraordinary circumstances.

This latter point turned out to be extremely important, as it made the policy of extraterritorial sanctions more flexible. The administration was now able, at its own discretion, to either reward or punish the numerous buyers of Iranian oil. It now had both the “carrot” and the “stick.” This measure to a large extent determined the subsequent success of the sanctions regime.

**Results of Coalition Diplomacy and Extraterritorial Sanctions**

The first success was when the European Union joined the energy sanctions. In January 2012, the European Union banned the purchase, storage and transport of oil in Iran. Given that a quarter of all Iranian oil exports went to the European Union, this was a particularly painful blow for Tehran. The European Union’s decision was supported by several factors. First, the UN Security Council did not implement a decision on the issue. Second, the United States Department of the Treasury imposed a series of large fines on a number of European banks that had violated the sanctions regime. Unlike past cases, Washington was determined this time to punish offenders and apply extraterritorial sanctions, even if it risked causing friction with its allies in doing so. Third, the harsh rhetoric of President of Iran Mahmoud Ahmadinejad was not received well in the European Union.

It is difficult to say that the actions of the European Union were decisive here, as the main consumers of Iranian oil are Asian countries: China, Japan, India and South Korea. These countries could quite easily play the role of “black knights” and ignore the sanctions, squeezing additional discounts out of Tehran. Given the growing oil prices at the time, that could have been a convenient way out for Iran. What is more, exerting sanctions pressure on such major buyers carried political risks for Washington. In this particular arrangement, everyone emerged victorious – everyone, that is, except the United States. Asian consumers got oil at a significant discount and Iran kept its markets, compensating losses with the high oil prices. And it was here that the “carrot” envisioned by the IFCA came in handy for the Americans. Two dozen major consumers of Iranian oil had the sanctions on them lifted in exchange for agreeing to reduce their
purchases – that is, the Americans significantly expanded the sanctions coalition at the expense of third countries.

It did not take long for the results to come. In 2012, the export of Iranian oil fell drastically compared to the previous year – from 2.5 million barrels per day at the end of 2011, to approximately 1.5 million barrels per day by the end of 2012. A year later, the number had dropped to less than 1 million barrels per day [6]. To make matters worse, some consumers (for example India) reduced purchases by amounts that were greater than those demanded by the Americans. Financial sanctions also played a role here. Banks that had been involved in oil transactions could be “cut off from the American financial system. It was clear that, given the choice between the Iranian and U.S. markets, banks from third countries preferred to stay in America. In other words, the United States took advantage of its leading position in the global financial system. The very same method worked with the EU sanctions, but here instead of the banks the pressuring mechanism was the threat to impose sanctions against companies that insured oil tankers. At the same time, U.S. diplomats and employees of the Department of the Treasury carried out extensive awareness-building campaigns in Europe, Asia and the Persian Gulf countries. A frontal attack against the export of Iranian oil found support in the form of lateral sanctions in the financial and insurance sectors. At the same time, Saudi Arabia, Iraq, Nigeria and other oil producers started to increase their own production, capturing the Iranian market share [Graaf 2013: 154–155]. This approach succeeded in temporarily stalling the Iranian mechanism of adapting to sanctions through the diversification of buyers, conducting a discount policy, searching for alternative oil shipping companies and exploiting “loopholes” in international finance.

Iran agreed to negotiations on the nuclear issue, and by November 2013, a Joint Plan of Action had been signed – an interim agreement under which Iran would partially curtail its nuclear programme in exchange for the lifting of certain sanctions. The final agreement – the Joint Comprehensive Plan of Action (JCPOA) – was signed in Vienna on July 14, 2015, following 18 months of difficult negotiations. On July 20, 2015, the Security Council unanimously approved Resolution No. 2231 [7]. Implementation of the JCPOA commenced on January 16, 2016, after the International Atomic Energy Agency had confirmed that Iran had brought its nuclear programme in line with the provisions of the plan of action. In response, the United Nations lifted the majority of its sanctions against Iran (with the exception of the temporary restrictions on the supply of arms, missile technologies and nuclear and dual-use goods), and the European Union repealed its “nuclear” sanctions. Finally, President Obama issued Executive Order No. 13716, which revoked the most debilitating sanctions that the United States had imposed on Iran [8].

It appeared that the countries that had initiated the sanctions had achieved their primary goal. Iran ceased its development of nuclear weapons and started to implement a programme for the peaceful use of nuclear energy under the reliable control of the IAEA. A mechanism was in place for the renewal of the sanctions in the event that Iran violated the provisions of the JCPOA. Washington had every reason to celebrate this victory – after decades of sanction wars with Tehran, U.S. diplomacy had finally achieved success. The other participants in the negotiations were also able to declare victories of their own including Moscow. Russia had advocated the leading role of the UN Security Council in the resolution of the problem, while at the same time underscoring its own crucial role in international affairs.
However, Tehran also emerged victorious. While it is true that Iran was forced to abandon the development of nuclear weapons, it retained the right to the peaceful use of nuclear energy. Tehran also kept control of its domestic and foreign policies, was readmitted to the global energy market, had a number of financial restrictions lifted, and achieved the unfreezing of its assets.

All this gave Washington cause for concern. Even during the negotiations on the nuclear deal, a number of Congress people were insisting that the sanctions should be tightened [Maloney 2015: 898]. There was certain logic to this stance: in lifting the sanctions from Iran, Washington would essentially lose all the leverage it had over Tehran. It would be no easy task to assemble another broad coalition against Iran and exert serious consolidated pressure on the Iranian energy sector. Preserving the sanctions would keep Iran “on the hook,” as it were, allowing the United States to move forward in the pursuit of other goals. Such a move would be incredibly difficult now. The uncompromising position adopted by Donald Trump with regard to the JCPOA is deeply rooted in the American political discourse and is not the whim of an eccentric president.

The New Round of U.S. Sanctions

The ongoing negotiations on the JCPOA did not stop Congress from adopting the Iran Nuclear Agreement Review Act of 2015 (INARA — PL 114-17) [9]. The law obliged the president to exert tight control over Iran’s compliance with its commitments. Its adoption served as a kind of domestic political compromise between the supporters and opponents of the Iranian deal. One of the requirements of the law was the so-called certification of the deal, which obliged the president to confirm Iran’s compliance with the JCPOA every 90 days. For Congress, this was a way to increase the personal responsibility of the president and keep the issue of the nuclear deal under constant control. As a staunch opponent of the nuclear deal, Donald Trump used INARA to his own advantage, turning the requirement for regular certification into a tool for bargaining and ultimately a mechanism for withdrawing from the JCPOA altogether. In other words, he was essentially able to share responsibility for the decision with Congress.

For its part, Congress made efforts to unilaterally strengthen the U.S. sanctions. On August 2, 2017, Donald Trump signed Public Law PL 115-44 (CAATSA), which set forth a range of sanctions against Iran. The law stated in no uncertain terms that Iran remained a serious challenge for the United States. In accordance with the law, the president is required to provide a detailed report on Iran’s military capabilities and its security activities every two years. Particular attention was paid to the Iranian ballistic missile development programme. Sanctions were levied against individuals and organizations involved in the development of this programme, and the president was tasked with reporting on the Iranian missile issue every six months. Just like previous laws and executive orders, CAATSA stressed the significance of the “terrorist” threat on Iran’s part and the need to impose sanctions against those who are suspected of supporting Iran. As per tradition, the law included the subject of human rights. The United States Department of State was charged with publishing an annual report on the issue, with sanctions being brought against persons responsible for human rights abuses in Iran. In addition, sanctions were once again imposed against anyone who had gone against the arms embargo and in connection with the detention of U.S. citizens in Iran. CAATSA outlines both the directions for the internationalization of the sanctions and the parameters for reporting on cooperation with the European Union.
The European Union also retained some of the sanctions against Iran, primarily in connection with human rights violations. However, CAATSA and the remaining EU sanctions and UN Security Council restrictions were not critical for Iran. None of these measures inflicted any damage on the Iranian economy and were more symbolic in nature than anything else. Far more dangerous for Iran was the Donald Trump’ announcement that the United States would be withdrawing from the JCPOA and returning to the sanctions regime that had previously been in place. The step was legally formalized in the form of a presidential memorandum on national security on May 8, 2018. The Department of the Treasury issued an explanatory note outlining the consequences of such a step [10].

The main part of Donald Trump’s decision in terms of sanctions was the return to the regime of restrictions that had been in place before the signing of the JCPOA. Given the significant scale of the sanctions and the time needed to set them back in motion, as well as the time required to curtail the activities that were once again prohibited, the president set a period of transition back to the old regime of between 90 and 180 days, depending on the sphere of activity. Specifically, we are referring to the reinstatement of the following sanctions: restrictions on transactions in foreign currencies and trade in precious metals; a ban on the transfer to or from Iran of certain types of raw material (graphite, steel, aluminium and coal); a ban on the supply of software for integrating industrial processes; restrictions on operations involving Iranian sovereign debt; and sanctions on Iran’s automotive sector. Further, sanctions in the following areas were to be reinstated: sanctions on the Iranian shipping and shipbuilding sectors; a ban on oil- and petroleum-related transactions; financial sanctions against Iranian banks; sanctions on the provision of insurance services; and, of course, sanctions on the energy sector (equipment, investments, etc.)

The hardest hitting restrictive measures for the Iranian economy – namely, the ban on purchasing crude oil from the country – will also be reinstated. The Americans intend to resume the practice of providing exceptions for certain countries, but, once again, in exchange for reducing purchases of Iranian oil. In other words, buyers can avoid U.S. sanctions by demonstrating the desire to reduce existing purchases.

The main intrigue today is the degree to which other countries will bow before the U.S. sanctions. On the one hand, the United States has come under fierce criticism from all the parties to the JCPOA. Russia and China were, as expected, particularly harsh in their assessments, and the European Union too did not hold back. What is more, the European Union announced its firm desire to reactivate the “Blocking Statute” adopted over 20 years ago amid the disagreements with the United States over its sanctions against Cuba, Iran and Libya at the EU Summit in Sofia on May 17, 2018. The resolution prohibits EU companies from carrying out sanctions. Back in 1996, the sides managed to work out their differences and the resolution was not enforced. This time, however, the conflict may be far more profound [Shumilin 2018: 3].

The biggest danger for Iran is the prospect of Brussels and other capitals reaching a compromise with Washington. For example, the United States could give the European Union the opportunity to save face by turning a blind eye to instances of noncompliance with the sanctions in certain sectors. But it could set the strict condition that restrictions on the purchase of oil will be in effect, with the system of exceptions for countries that have expressed the desire to reduce purchases serving as possible compromise here. This could once again lead to a reduction in Iranian oil sales, with all the consequences for the economy that this would entail.
Iran benefits from the fact that the return of the United States to the use of sanctions has not been accompanied by similar resolutions from the United Nations. This means that the international legal grounds for the sanctions are far shakier. It will be more difficult for the United States to coerce third countries into complying with their demands in current conditions. Sanctions against such major countries as China and India could cause unnecessary friction for Washington, which suggests that the possibilities for introducing new sanctions are narrower than they were in 2013. Iran will suffer losses in any case, at the very least because of the sharp increase in uncertainty for business and trade partners. But the extent of the damage from new sanctions and the strength of the sanction coalition is not likely to be enough to force Iran to comply with U.S. demands (Secretary of State Mike Pompeo read out a list of these demands in May: in addition to the complete abolition of its nuclear programmes, the United States is essentially demanding that Iran back down on virtually all of its foreign policy positions). The worst scenario for international security would be to push Iran back into a corner and thus towards a renewal of the country’s nuclear programme.

Conclusions

The case of Iran provides an interesting set of facts about the influence of various factors on the success or failure of sanctions. Specifically, we are talking about the following.

First. The case of Iran has demonstrated the link between the damage caused by sanctions and their effectiveness (that is, compliance with the requirements of the initiating countries). But there are some peculiarities here. Iran has been suffering from sanctions for a long time. But it never went to the negotiating table, preferring instead to pursue a policy of adapting to the sanctions. It was only in 2013 that the United States was able to create conditions that finally forced Tehran to agree to negotiate. And even then, Iran was able to reach a deal that would benefit them, even though it involved yielding to some basic requirements. The Iranian case confirms the hypothesis of Daniel Drezner on the sanctions paradox: maximum pressure on political rivals leads to minimal damage from sanctions, while minimal pressure on allies often brings the maximum result [Drezner: 1999].

Second. The experience of Iran demonstrates the importance of having a stable coalition of initiating countries. At no stage did the unilateral actions of the United States bring the desired results. They were only achieved after a consensus had been reached with its allies, members of the UN Security Council and buyers of Iranian oil from third countries. A correlation can thus be drawn here between the damage caused by sanctions and the stability of the coalition of initiating countries. The broader and more stable the coalition, the greater the damage inflicted by sanctions will be.

Third. The factor of military force has an impact on, or is at least linked to, sanctions policy. The United States has used military force in combination with sanctions in the past. Growing military might on the part of the target country hinders the use of force promoting the application of sanctions as the only remaining option.

Fourth. Sanctions are linked to the domestic political situation in both the initiating and the target countries. The case of the United States demonstrates that the role of Congress on matters relating to the application of sanctions has grown exponentially. An entire study can be dedicated to the specifics of Iran’s domestic politics, but there is little doubt that they played a huge role in the country’s response to sanctions.
The withdrawal of the United States from the JCPOA will certainly hurt the Iranian economy, but not enough to force Iran to comply with U.S. demands. Washington will have difficulty putting a sanctions coalition back together. At the same time, it is possible that the United States could apply sanctions selectively. Sanctions aimed at trade in crude oil will inflict greater damage on the Iranian economy. However, the United States may face opposition from such buyers as China, which could act as a “black knight” for Iran. If this happens, there is a high likelihood that Iran will be able to withstand pressure from the United States.

References


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