

# Economic sanctions and U.S. foreign policy on Iran

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*The purpose of the study is to analyze the main foreign policy documents that form the U.S. policy of sanctions, according to the sectors of Iran's economy that are subject of authorization from 1979 to 2012. The analysis of basic spheres of economy, which are subject sanctioning, is carried out, in accordance with the legislation of the USA for the last thirty years, the evolution of the American system of discriminatory limitations is traced in relation to Islam Republic.*

Key words – U.S. foreign policy, sanctions, Iran, arms and nuclear nonproliferation, Iran's nuclear program.

## I. Introduction

Economic sanctions have played an important role in U.S. foreign policy throughout the twentieth and twenty-first centuries. American sanction policy towards the Islamic Republic of Iran (IRI) – is a major factor in international relations in recent decades. For more than thirty years the U.S. applies a lot of effort to limit Iran in political, diplomatic and economic spheres. All actions of the United States in this area are based on the method of discriminatory restrictions and pressure as sanctions (from latent sanction – irrevocable resolution) – a compulsory measure applied to the violators of requirements of certain legal rules. The relevance of the research topics predetermined by the fact that U.S. sanctions on Iran affect the interests of those countries that cooperate with Iran in various fields.

## II. Origins of the U.S. sanctions implementation on Iran

Since 2010, the United States, together with its international partners have been actively increasing sanctions according to new reports, which announced a progressive increase in the Islamic Republic's nuclear potential. The catalyst was the conclusion of the report of the International Atomic Energy Agency (IAEA) in November 2011 – “Iran in 2003 made actions aimed to develop nuclear weapons, did the other research and experimental programs in this area” [5].

Although the current U.S. sanctions were imposed after the revolution in IRI 1979, the U.S. supported the British boycott on Iranian oil in the early 50's. Boycott was a response to the nationalization of the “Anglo-Iranian Oil Company”, which belonged to the British government. Due to the extremely serious economic impact, the government of W. Churchill together with American leadership has decided to reset from office the initiator of nationalization IRI Prime Minister M. Mossadeq.

A long list of U.S. economic and political sanctions on Iran goes back to the diplomatic crisis in 1979 after the capture of the American embassy hostages in Tehran. Then President Carter imposed a state of emergency on IRI and ordered to freeze all Iranian accounts, “which are or will be under the jurisdiction of the United States”

[11]. Additional sanctions were imposed when in January 1984 Iran was involved in the bombing of the American naval base in Beirut. The United States enrolled IRI to a list of countries that support terrorism, imposing a ban on international aid to Tehran and implementing control on export. The next decade of relations between the two countries continued to deteriorate, prompting the United States to impose a ban on the export to Iran of a number of techniques, from parts for airplanes and helicopters to the mechanism for snorkeling.

## III. Economic spheres of IRI sanctioned by the U.S.

Concerns over Iran's nuclear program arose later and was a convincing factor for economic containment of the Islamic Republic. Significant penalties were limiting various areas of economic development, from trade and investment to manufacturing weapons and nuclear materials.

Regarding the spread of weapons, the 23 October 1992 the U.S. Congress passed the law Iran-Iraq Arms Nonproliferation Act [6], according to which the ban was introduced on the import of Islamic Republic the dual-use and conventional weapons “chemical, biological, nuclear, ordnance stabilizing numbers and types of advanced conventional weapons”.

In the area of trade and investment March 15, 1995, U.S. President B. Clinton signed Executive Order 12957, under which any U.S. investment in Iran's oil sector were banned [3].

Energy as a key sector of the Iranian economy also was represented in the United States sanction policy. In particular, in August 1996 the U.S. Congress passed Iran and Libya Sanction Act of 1996 [10], which was intended to prevent Iran access to raw materials for continuing its nuclear program, sanctioning those companies, including foreign ones, that have invested in Iran's energy sector over 20 million.

Property, assets and capital of IRI also were sanctioned by the U.S. After the terrorist attacks in New York and Washington on September 11, 2001 President George Bush Jr. issued an Executive Order 13224 [4], freezing all assets of legal entities that support international terrorism.

The United States sanctions affected the fuel complex of IRI as well. In particular, in July 2010, Obama signed Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 [9], according to which the U.S. imposed fines on national and foreign companies for selling refined fuel to Iran or for the supply of equipment at the request of the Islamic Republic, which increases its cleansing power. However, China and Russia immediately declared their displeasure about U.S. unilateralism, arguing that such efforts aimed at correcting the failure of UN sanction system, may harm their business interests, destroying Tehran diplomatic efforts at reconciliation.

Many experts are skeptical about sanctions on energy resources, considering that they often inadvertently addressed to the wrong entities. “It's sanctions against our allies and those which we need to convince to stand on our side to help cope with the Islamic Republic”, - says K. Elliott [2], Senior Fellow at the Center for Global Development, which studies sanction policy. Iran fuel imports in some countries which are important for the United States as allies, including India, France, the Netherlands and a number of Gulf countries. “To make fines over companies is not very hopeful incentive to

cooperate” in other areas of regional policy, said Elliott. In addition, countries that rely on imports of Iranian gas, especially Turkey, unlikely support a ban on imports of fuel, experts say. IRI and international energy giants show the same power to circumvent the sanctions are gaining alarming proportions. Energy giants like Royal Dutch Shell PLC and Total PC is starting to hide their business, which is linked to Iran, writes The Wall Street Journal, while the Iranian association of shipping creates a series of fake companies to avoid economic pressure.

Last sanctions that have been imposed on the IRI set forth in U.S. law “On national defense funding for 2012 tax year” which was signed by the U.S. President Barack Obama December 31, 2011 [8], according to which unilateral sanctions imposed against the Central Bank of Iran and other Iranian financial institutions.

However, experts differ in opinion on the effectiveness of sanctions as a tool to convince hostile countries abandon nuclear extension programs. [7] In the case of Libya and Iraq, many analysts point out the role that had economic sanctions to deter weapons development programs. In Iran, there is evidence that sanctions hamper economic development. [1] Washington hopes that the pressure on the Iranian economy will force the leadership to change the course of its nuclear program. K. Elliott of the Center for Global Development believes that the best for the United States will be better coordinate their efforts with the European Union. Also the expert at the Center argues that sanctions should be only one of a number of diplomatic tools [2].

## Conclusion

Thus, the distinctive feature of the U.S. legislative and executive regulations, which served as the basis for discriminatory policies against the IRI is their extraterritorial nature. The action of laws and orders was distributed to foreign companies and governments of other countries that have already implemented the supply of nuclear and missile technologies, goods and services to Iran. The extraterritorial nature of this group of documents causes the dissatisfaction of countries who want to work in or with the Islamic Republic.

The U.S. sanction policy on Iran hasn't undergone major changes in the entire history of the thirty years existing problems. Each new administration that came to power in the United States refined and expanded the sections of documents adopted by its predecessors, weakening or, conversely, increasing the discriminatory policy towards the IRI. In fact, none of the American executive order of restriction nature against the Islamic Republic was not completely abolished by any of the administration.

Implementing in the U.S. numerous measures of restriction have been directed to the destabilization of not only the nuclear missile and military spheres in Iran, but also trade and its economy. The lack of a clear definition of key concepts in some regulations gave reason to believe that these documents may be used by U.S. authorities as a tool of pressure on foreign campaigns and companies as well as governments of other countries with the aim of forcing them to stop cooperation with Iran.

Expectations that appeared in the political and economic establishment of U.S. in the late 1990's - early 2000's that the Bush administration significantly soften rate in relation to Iran

and possibly establish direct relations to address issues of common interest to Tehran and Washington were not fulfilled. Continuation of sanction policy on Iran showed the futility of the restoration of US – Iran relations.

Politics of President Barack Obama according Iran contrasted with the administration of George W. Bush by attempting to link the sanctions with negotiations about Iran's nuclear sector. However, the government of the Islamic Republic is not going to negotiate and refused any compromise, since the beginning of 2010 the Administration and the Congress focused on adopting and implementing additional sanctions of the U.S., EU and their allies together to force Iran to accept the agreement of nuclear weapons renunciation.

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