

# **The Political Economy of Iran-U.S. Relations: Economic Sanctions**

**By**

**S.M.Mehdee Araee**

## **THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of

**MASTER OF PUBLIC POLICY**

2008

# **The Political Economy of Iran-U.S. Relations: Economic Sanctions**

**By**

**S.M.Mehdee Araee**

## **THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of

**MASTER OF PUBLIC POLICY**

2008

Professor Byung-Joon Ahn

# **The Political Economy of Iran-U.S. Relations: Economic Sanctions**

**By**

**S.M.Mehdee Araee**

## **THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of

**MASTER OF PUBLIC POLICY**

Committee in charge:

Professor Byung-Joon AHN, Supervisor \_\_\_\_\_

Professor Jong Il YOU \_\_\_\_\_

Professor Younguck KANG \_\_\_\_\_

Approval as of July , 2008

## **ABSTRACT**

### **The Political Economy of Iran-U.S. Relations: Economic Sanctions**

**By**

**S.M.Mehdee Araee**

Relations between Iran and the United States have disrupted since the revolution in Iran. Before the Revolution with the Shah, the United States was Iran's foremost economic and military partner, thus participating greatly in the rapid modernization of its infrastructure and industry with as many as thirty thousand American expatriates residing in the country in a technical, consulting, or teaching capacity. Iranian people have traditionally been highly sensitive and suspicious of foreign interference in their country. The United States have had many interventions and roles in Iran since 1953 when the U.S. and Great Britain overthrew Iran's democratically elected Premier Mohammad Mossadeq as part of a plan to insure access to Iranian oil. Commercial relations between Iran and the United States are restricted by U.S. sanctions.

Obstacles from the U.S. perspective can be noted as state sponsorship of international terrorism, pursuit of weapons of mass destruction, threats to neighbors in the Persian Gulf, opposition to the Arab-Israeli peace process and violations of human rights. On Iran's side, The United States should accept the legitimacy of the 1979 revolution, it doesn't have any right to interfere in Iran's internal affairs, and should deals with the Iranian regime on the basis of "respect and equality."

Over a period of twenty years, U.S. sanctions on Iran have had a significant economic cost for the U.S. as well as for Iran. Direct merchandise trade between the U.S. and Iran has declined significantly, but the real cost of sanctions to each country is not a result of reduced bilateral trade, since much of this trade has been diverted to third countries. While sanctions have impacted direct bilateral merchandise trade (largely losses in foreign exchange only), the non-trade impact of sanctions, which will continue to accrue

even after sanctions are lifted, appears to be much more important because it represents a real cost to both sides.

## **ACKNOWLEDGEMENTS**

First and foremost, I offer my sincerest gratitude to my supervisor, Professor Ahn, Byung-Joon, who has supported me throughout my thesis with his patience and knowledge whilst allowing me the room to work in my own way. I attribute the level of my Masters degree to his encouragement and effort and without him this thesis, too, would not have been completed or written. One simply could not wish for a better or friendlier supervisor.

I am also indebted to the many countless contributors to the thesis for providing the information on books, papers, articles and basic statistics for both American and Iranian economy. The entirety of my thesis has completed using such valuable data and facts and I consider it to have been an enormous benefit. The library of KDI School of Public Policy has provided the support and equipment I have needed to produce and complete my thesis and my studies.

Last but by no means least it gives me immense pleasure to thank my wife, **Niloofar** for supporting me throughout all my studies at School and in home. It gives me great pleasure to thank for her unwavering supports during the many long days, which went into this endeavor.

## TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>7</b>
<b>CHAPTER 1-THE HISTORY OF IRAN-U.S RELATIONS.....</b>	<b>9</b>
A- Early relation.....	10
B- The 1950s and the politics of oil, a turning point.....	11
C- 1977-1979: Carter administration.....	12
D- The 1979 revolution.....	13
E- 1980s: Reagan administration.....	14
F- 1990s: Clinton administration.....	15
G- 1990s: Bush administration.....	16
<b>CHAPTER 2 – THE FUNDAMENTAL OBSTACLES .....</b>	<b>19</b>
A- Introduction.....	19
B- From Iran perspective .....	20
C- U.S Claims .....	25
D- Conclusion .....	31
<b>CHAPTER 3- ECONOMIC SANCTIONS .....</b>	<b>36</b>
A. Introduction.....	36
B- The History of US Sanctions against Iran: Chronology of Key Events, 1984-2006.....	37
C- Economic Sanctions Issues.....	43
D- Conclusion.....	49
<b>CHAPTER 4- CONCLUSION .....</b>	<b>53</b>
Bibliography.....	56

## **INTRODUCTION**

It is obvious that Iran is home to one of the world's oldest continuous major civilizations, with historical and urban settlements dating back to 4000 BC. Throughout history, Iran has been of geostrategic importance because of its central location in Eurasia and is a regional power. Iran is a founding member of the UN, NAM, OIC, and OPEC. However, the foreign relations of Iran have experienced different and fluctuated periods. Iranian people have traditionally been highly sensitive and suspicious of foreign interference in their country, pointing to such events as Russian conquest of northern parts of the country, the Tobacco concession to the British-Soviet occupation during World War I and II, and the CIA plot to overthrow Prime Minister Mohammed Mosaddeq. This suspicious manifests itself in beliefs many foreigners find highly implausible, such as "the fairly common" one that the Iranian Revolution was actually the work of a conspiracy between Iran's Shia clergy and the British government.

Relations between Iran and the United States have been disrupted since the revolution in Iran. Iran does not maintain official diplomatic relations with either the United States or Israel, and it views the Middle East peace process with skepticism. Iran and the United States do have diplomatic "Interest Sections" in each other's countries, and that's it. To remember why the United States is no favorite in Tehran, one needs to go back at least to 1953 when the U.S. and Great Britain overthrew Iran's democratically elected Premier Mohammad Mossadeq as part of a plan to insure access to Iranian oil. They then emplaced the young Shah in power who, with his notorious secret police, proved second

to none in cruelty. The Shah ruled from 1953 to 1979. Much resentment can build up over a whole generation. His regime fell like a house of cards, when supporters of Ayatollah Khomeini rose up to do some regime change of their own.

Iranians also remember Washington's strong support for Saddam Hussein's Iraq after it decided to make war on Iran in 1980. U.S. support for Iraq (which included crucial intelligence support for the war and an implicit condoning of Saddam's use of chemical weapons) was perhaps the crucial factor in staving off an Iranian victory.

However, finding the real reasons for removing the obstacles and having a good relations seems to be very difficult even impossible. So what are the fundamental problems in this way? Is there any study or research for answering these questions? The purpose of thesis is trying to find out those limitations and analyzing the cost-benefit of existence of the relation from different aspects. As a result, the main outcome is giving a macro view to policymakers and researchers.

## **CHAPTER 1-THE HISTORY OF IRAN-U.S RELATIONS**

### ***A- Early relations***

Political relations between Iran (Persia) and the United States began when the Shah of Persia, Nassereddin Shah Qajar, officially dispatched Persia's first ambassador, Mirza Abolhasan Shirazi, to Washington D.C. in 1856[1]. In 1883, Samuel Benjamin was appointed by the United States as the first official diplomatic envoy to Iran. Ambassadorial relations were however established in 1944[2].

The first Persian Ambassador to The United States of America was Mirza Albohassan Khan Ilchi Kabir. Even before political relations, since the early to mid 1880s, Americans had been traveling to Iran. Justin Perkins and Asahel Grant were the first missionaries to be dispatched to Persia in 1834 via the American Board of Commissioners for Foreign Missions. The famous vizier of Nasereddin Shah, Amir Kabir, also initiated direct contacts with Washington. By the end of the 19th century, negotiations were underway for an American company to establish a railway system from the Persian Gulf to Tehran.

Up until World War II, relations between Iran and the United States remained cordial. As a result many Persian Constitutional Revolution constitutionalist Iranians came to view the U.S. as a "third force" in their struggle to break free of the humiliating British and Russian meddling and dominance in Persian affairs. It is even believed that such appointments were the result of contacts made by the Persian Constitutional revolutionaries with the executive branch of the US government, even though no official documents of such contacts exist. What is certain however is that Persia's drive for

modernizing its economy and liberating it from British and Russian influences had the full support of American industrial and business leaders.

In 1909, during the Persian Constitutional Revolution, Howard Baskerville died in Tabriz while trying to help the constitutionalists in a battle against royalist forces. After the American financial consultant Morgan Shuster was appointed Treasurer General of Persia by the Iranian parliament in 1911, an American was killed in Tehran by henchmen thought to be affiliated with Russian or British interests. Shuster became even more active in supporting the Constitutional revolution of Persia financially[2, p.83]. When Shu'a al-Saltaneh, the Shah's brother who was aligned with the goals of Imperial Russia in Persia, was ordered by Iran's government to surrender his assets to it, Shuster was assigned this task, which he promptly moved to execute. Imperial Russia immediately landed troops in Bandar Anzali demanding a recourse and apology from the Persian government. Eventually, Iran's parliament in Tehran was shelled by General Liakhoff of Imperial Russia, and Morgan Shuster was forced to resign under tremendous British and Russian pressure. Shuster's book *The Strangling of Persia* is a recount of the details of these events, a harsh criticism of Britain and Imperial Russia.

It was the American embassy that first relayed to the Iran desk at the Foreign Office in London confirmation of the popular view that the British were involved in the 1921 coup that brought Reza Pahlavi to power[4]. A British Embassy report from 1932 admits that the British put Reza Shah "on the throne". The United States was not an ally of Britain as far as Persia was concerned at that point in time.

Morgan Shuster was soon to be followed by Arthur Millspaugh, appointed as Treasurer General by Reza Shah Pahlavi, and Arthur Pope, who was a main driving force behind the Persian Empire revivalist policies of Reza Shah. But the friendly relations between the United States and Iran were about to change at the onset of the 1950s.

***B-The 1950s and the politics of oil, a turning point***

From 1952-53, Iran's nationalist Prime Minister Mohammed Mossadeq began a period of rapid power consolidation, which led the Shah, Mohammad Reza Pahlavi, to a brief exile and then into power again. Much of the events of 1952 were started by Mossadeq's nationalization of the Anglo-Iranian Oil Company, now British Petroleum. Established by the British in the early 20th century, an agreement had been made to share profits (85% British-15% Iran), but the company withheld their financial records from the Iranian government. Due to alleged profit monopolization by the Anglo-Iranian Oil company, the Iranian Parliament had unanimously agreed to nationalize its holding of, what was at the time, the British Empire's largest company.

The United States and Britain, through a now-admitted covert operation of the Central Intelligence Agency (CIA) called Operation Ajax, conducted from the US Embassy in Tehran, helped organize protests to overthrow Mossadeq and return the Shah to Iran. The operation failed and the Shah fled to Italy. After a second successful operation he returned from his brief exile. Iran's fledgling attempts at democracy quickly descended into dictatorship, as the Shah dismantled the constitutional limitations on his office and began to rule as an absolute monarch.

During his reign, the Shah received significant American support, frequently making state visits to the White House and earning praise from numerous American Presidents. The Shah's close ties to Washington and his bold agenda of rapidly Westernizing Iran soon began to infuriate certain segments of the Iranian population, especially the hard-line Islamic conservatives. Because of their eventual ascension to power during the 1979 Iranian Revolution, Operation Ajax is considered as one of the worst CIA "blowbacks" ever.

Relations in the cultural sphere however remained cordial. Pahlavi University (now Shiraz University), Sharif University of Technology, and Isfahan University of Technology, three of Iran's top academic universities were all directly modeled on American institutions such as the University of Chicago, MIT, and the University of Pennsylvania[5][6]. The Shah in return was generous in awarding American universities with financial gifts. For example, the University of Southern California received a gift from the Shah in the form of an endowed chair of petroleum engineering, and a million dollar donation was given to the George Washington University to create an Iranian Studies program [5].

#### ***C- 1977-1979: Carter administration***

The administration of President Jimmy Carter in 1977 created a strain on relations between Iran and the United States. Carter, unlike previous American presidents, was outspoken about his criticism of the Shah's government and its human rights record.

Carter pressured the Shah to relax freedom of speech and to allow more freedom for political dissidents[5].

Many politicians and political figures in the United States such as Henry Kissinger and David Rockefeller vigorously opposed Carter's condemnations of the Imperial Iranian government, citing the importance of not weakening the Shah's position in both Iran and the region. As is well-known, American administrations previous to Carter had always pressured the Shah to remain steadfastly anti-communist and to aggressively prosecute Communists and Islamists who were increasingly moving closer together into an anti-Imperial alliance.

The Carter administration blocked exports of tear gas and rubber bullets to Iran, and was also implicated by some commentators in a scandal involving Jimmy Carter demanding financial favors from the Shah. Some also attributed these actions against the Shah to Carter's attempts to warm up to the Soviet Union[7][8].

#### ***D- The 1979 revolution***

In 1979, Iranians revolted and the Shah was ousted for a second time. The American administration under President Jimmy Carter refused to give the Shah any further support and expressed no interest in attempting to return him to power. A significant embarrassment for Carter occurred when the Shah, as of that time suffering from cancer, requested entry into the United States for treatment. The American embassy in Tehran vigorously opposed the United States granting his request, as they were intent on

stabilizing relations between the new interim revolutionary government of Iran and the United States [9].

Despite agreeing with the staff of the American embassy in disallowing the Shah's entry into the U.S., after pressure from Kissinger and Rockefeller, among other pro-Shah political figures, Carter reluctantly agreed, but the move was used by the Iranian revolutionaries' to justify their claims that the former monarch was an American puppet and led to the storming of the American embassy by radical students [7].

#### ***E- 1980s: Reagan administration***

The U.S. contends that the organization of Hezbollah has been involved in several anti-American terrorist attacks, including the April 1983 United States Embassy bombing which killed 17 Americans, the 1983 Beirut barracks bombing which killed 241 U.S. peace keepers in Lebanon, and the 1996 Khobar Towers bombing. A U.S. District court judge ruled in 2003 that the April 1983 United States Embassy bombing was by what had been at the time been a new organization called Hezbollah supported by the state of Iran [2]. In May 2003, in a case brought by the families of the 241 servicemen who were killed, U.S. District Court Judge Royce C. Lamberth declared that the Islamic Republic of Iran was responsible for the 1983 attack.

In 1986 members of the Reagan administration helped sell weapons to Iran, using the profits to fund Contras militants in Nicaragua. This event led to the Iran-Contra Affair which was a political scandal occurring in 1987 as a result of earlier events during the Reagan administration in which members of the executive branch sold weapons to Iran,

an avowed enemy, and illegally used the profits to continue funding anti-Communist rebels, the Contras, in Nicaragua. Large volumes of documents relating to the scandal were destroyed or withheld from investigators by Reagan administration officials. The affair is still shrouded in secrecy. After the arms sales were revealed in November 1986, President Ronald Reagan appeared on national television and denied that they had occurred. A week later, however, on November 13, Reagan returned to the airwaves to affirm that weapons were indeed transferred to Iran. He denied that they were part of an exchange for hostages [3].

On July 3, 1988 towards the end of the Iran Iraq War, the U.S. Navy guided missile cruiser USS Vincennes shot down an Iranian Airbus A300B2 on a scheduled commercial flight in Iranian airspace over the Strait of Hormuz, killing 290 civilians from six nations, including 66 children. USS Vincennes was in the Persian Gulf as part of Operation Earnest Will. The United States at first contended that flight 655 was a warplane and then said that it was outside the civilian air corridor and did not respond to radio calls. Both statements were untrue, and the radio calls were made on military frequencies to which the airliner did not have access [10]. On February 22, 1996 the United States paid Iran \$61.8 million in compensation for the 248 Iranians killed, plus the cost of the aircraft and legal expenses [11]. However, the United States has expressed regret only for the loss of innocent life, refusing to make a specific apology to the Iranian government [12].

#### ***F- 1990s: Clinton administration***

In April 1995 a total embargo on dealings with Iran by U.S. companies was imposed by U.S. president Clinton. Trade with the U.S., which had been growing following the end

of the Iran-Iraq war ended abruptly [13]. The next year the American Congress passed the Iran-Libya Sanctions act which threatened even non-U.S. countries making large investments in energy. The act was denounced by the European Union as null and void, but blocked some needed investment for Iran nonetheless.

The election of reformist president Khatami brought hopes for a thawing of relations. In January 1998 Khatami called for a "dialog of nations" with US in a CNN interview. US Secretary of state Madeleine Albright answered with conciliatory words and there followed an exchange of wrestling teams, freer travel to and from the US, and an end to the U.S. embargo of two Iranian export items, carpets and pistachios. Relations did not improve further though, as Iran's conservatives opposed them in principle and the U.S. preconditions for discussions included changes in Iranian policy on Israel, nuclear energy, and support for terrorism [14].

#### ***G- 1990s: Bush administration***

Since George W. Bush came to power, the United States has taken several actions against Iran. According to Noam Chomsky, the noted polemicist against American imperialism, the American government has provided Israel with over a hundred jet bombers, openly advertised as capable of bombing Iran and returning, capturing Iranian officials in Iraq, deploying major naval forces in the Persian Gulf, supporting Pakistan-based insurgent groups to attack Iran, supporting Azeri separatists were among actions carried out by the United States against Iran. Chomsky claims: "These are major violation of United Nation's charter" [15].

In 2003 Before invading Iraq, the Bush administration rebuffed a series of overtures from Iran's reformist government -- among them offers to help the U.S. stabilize Iraq after the invasion -- with the help of the American Iranian Council, Iran made a secret proposal for a "grand bargain". This "grand bargain" would resolve all outstanding issues between the U.S. and Iran, including Iran's alleged support for terrorism and its nuclear program. The U.S., which had branded Iran part of the "axis of evil," decided on a confrontational approach. It is unknown if or how much of the present chaos could have been averted had the Administration taken up this "Grand Bargain." (see PBS Frontline Documentary showing on October 23, 2007).

On January 29, 2002 U.S. President George W. Bush gave his "Axis of evil" speech, describing Iran, along with North Korea and Saddam Hussein's Iraq, as an axis of evil and warning that the proliferation of long-range missiles developed by these countries was of great danger to the US and that it constituted terrorism. The speech caused outrage in Iran and was condemned by reformists and conservatives alike [16].

Since 2003 the U.S. has been flying unmanned aerial vehicles, launched from Iraq, over Iran to obtain intelligence on Iran's nuclear program, reportedly providing little new information. The Iranian government has formally protested the incursions as illegal [17].

## **References:**

1. David W. Lesch, *The Middle East and the United States: A Historical and Political Reassessment*, Westview Press, 2003, p.52
2. *Ibid.* p.52

3. <http://www.presidency.ucsb.edu/PS157/assignment%20files%20public/TOWER%20EXCERPTS.htm>.And  
<http://www.presidency.ucsb.edu/PS157/assignment%20files%20public/congressional%20report%20key%20sections.htm>
4. Zirinsky M.P. *Imperial Power and dictatorship: Britain and the rise of Reza Shah 1921-1926*. International Journal of Middle Eastern Studies. 24, 1992. p.646
5. <http://www.archives.upenn.edu/histy/features/intrntnl/country/mideast.html>
6. *Exporting MIT*. Stuart W. Leslie and Robert Kargon. *Osiris*, volume 21 (2006), pages 110–130
7. [http://www.unc.edu/depts/diplomat/archives\\_roll/2003\\_0103/dauherty\\_shah/dauherty\\_hah.html](http://www.unc.edu/depts/diplomat/archives_roll/2003_0103/dauherty_shah/dauherty_hah.html)
8. <http://cgi.stanford.edu/group/wais/cgi-bin/index.php?p=3901>
9. <http://rescueattempt.tripod.com/id24.html>
10. [http://www.washingtonpost.com/wpdyn/content/article/2008/01/10/AR2008011000692\\_2.html?hpid=topnews&sid=ST2008011001831](http://www.washingtonpost.com/wpdyn/content/article/2008/01/10/AR2008011000692_2.html?hpid=topnews&sid=ST2008011001831)
11. [http://news.bbc.co.uk/onthisday/hi/dates/stories/july/3/newsid\\_4678000/4678707.stm](http://news.bbc.co.uk/onthisday/hi/dates/stories/july/3/newsid_4678000/4678707.stm)
12. <http://books.google.com/books?id=5bGozwD28gC&pg=PA142&lpg=PA142&dq=uss+vincennes+iran+apology&source=web&ots=NbiN1x6s0T&sig=x9teZNysssdfnftGyLciLUff0F1U>
13. Keddie, *Modern Iran : Roots and Results of Revolution* (2003), Yale University Press, p.265
14. *Ibid.* p.272
15. <http://www.youtube.com/watch?v=0NzB39sVSgs>
16. <http://www.whitehouse.gov/news/releases/2002/01/20020129-11.html>
17. Kinzer, Stephen, *All the Shah's Men : An American Coup and the Roots of Middle East Terror*, Stephen Kinzer, John Wiley and Sons, 2003, p.86

## **CHAPTER 2 – THE FUNDAMENTAL OBSTACLES**

### ***A-Introduction***

The Iranian Revolution, also known as the Islamic Revolution, was the revolution that transformed Iran from a monarchy under Shah Mohammad Reza Pahlavi to an Islamic republic under Ayatollah Ruhollah Khomeini, the leader of the revolution and founder of the Islamic Republic. Although some might argue that the revolution is still ongoing, its time span can be said to have begun in January 1978 with the first major demonstrations to overthrow the Shah, and concluded with the approval of the new theocratic Constitution — whereby Ayatollah Khomeini became Supreme Leader of the country — in December 1979. Iran officially became an Islamic Republic on April 1, 1979 when Iranians overwhelmingly approved a national referendum to make it so [1].

The Islamic Revolution in 1979, has been considered as a turning point in Iran-West relations. The US has played a central role in shaping the West orientation toward Tehran. Iran with its oil and gas resources, its geopolitical location and its special place in the region and the Islamic world has been viewed as an important regional and international player. Meanwhile Iran's domestic process is a vital and integrated part of social and political change in the Middle East, the Islamic world and developing countries. Iran is located at the center of the world's largest pool of energy; it straddles prominently the global oil and natural gas checkpoints at the Strait of Hormuz. It provides the cheapest and the shortest transit route at the heart of the ancient Silk Road for the transport of energy resources from the Caspian Sea basin to the world markets through the Persian Gulf; and it is the most populated country with one of the largest

industrial bases in the vast region stretching from the Caspian Sea to Eastern Mediterranean.

After the revolution Iran- US, relations and confrontations underlined Iran and the West relations. The US policy-makers wanted to maintain relations with Iran , because of their economic, political and military interests, but after the Shah's fall, US relations with Iran were never normalized, and on the contrary changed to increased anti-Americanism[2].

### ***B- From Iran Perspective***

#### ***1. Historical reasons: Avoiding Foreigners interference and keeping I independency***

Iran is a country with a rich culture, historical record and a stable government. These elements will respectively lead to national identity, social stability and a well placed political culture. A vast land area, rich resources and strategic location impart to Iran a special standing in political calculations and greater scope to attain a genuine position as a regional power as compared with other countries, like Saudi Arabia and Pakistan. Iran's geo-politic, which links Asia to the Middle- East, Central Asia to the Persian Gulf and serves, as a connecting point of four sub-regions, is a strong point that cannot be denied by any regional and global power. This situation has long invited the interference and competition of foreigners seeking to put government they desire in power. It means that Iran should manage seriously its strategic location; otherwise, the significant geographic size of Iran turns to a weak point rather than a strong one.

By studying Iran's history over the last two centuries, we can see how Iranians have usually felt deeply affiliated to their national, social, ethnic and religious heritage. Iran's political and social movements in its contemporary history have been concentrated on keeping national sovereignty and independency. Therefore, on one hand Iran's

geopolitical and geo-economic position move it toward the great powers, but on the other hand, the Iranian orientation is to avoid their influence.

The US never recognize the failures of its past policies in Iran, which can partially be interpreted as the roots of anti-American feeling in Iran, such as the 1953 CIA engineered coup against prime minister Mohammad Mossadeq and its long support for the unpopular regime of the Shah[3]. The US after the revolution adopted the same policies, leading to more extremism in Iran. The Carter administration relied only on the moderates in the Bazargan government, isolating itself from the revolution by ignoring its main leader. Meanwhile there were some events, which could be interpreted as clear US hostility toward Iran, such as non-recognition of the new regime, the Elghanian case, CIA intervention in Iranian internal affairs, and finally the admission of Mohammad Reza Shah to the US. All of these together with the policy failures mentioned before led the revolutionaries to react, most notably by the embassy takeover. With the US and Western condemnation and blockade against Iran, the revolution remained in political international isolation, contributing effectively to the outbreak of Iraqi invasion in 1980[4]. With Iraq's invasion of Iran in 1980, because of revolutionary Iran, the US and Iraq avoided their real differences and began to have better relations. US policymakers adopted a dual policy toward the Iran-Iraq War, firstly, concealing satisfaction with the Iraqi invasion; because of many opportunities that the invasion created for the Carter administration, secondly, maintaining Iran's strategic position and integrity in the region as a buffer to the Soviet Union, as the Islamic government in Tehran while anti-American was also anti-Soviet[5]. Because of the hostage crisis in Tehran and the US-Iran failure to construct diplomatic relations, the US and many Western countries never condemned Iraq's clear invasion of Iran on September 22, 1980. With such a policy, the west discounted the aggressive nature of the Ba'th government in Baghdad and

consequently opened the way for Saddam's increased ambition in the region and in the Arab world, as a whole in the future.

## ***2. Econoic Sanctions***

During 1990s until now, the US has continued hard-line policies regarding Iran, making the improvement in US- Iran's bilateral relation far more difficult. The first US sanctions against Iran formalized in November of 1979, and during the hostage crisis, many sanctions leveled against the Iranian government. By 1987, the import of Iranian goods into the United States had banned. In 1995, President Clinton issued Executive Order 12957, banning US investment in Iran's energy sector, followed a few weeks later by Executive Order 12957 of May 6, 2000, eliminating all trade and investment and virtually all interaction between the United States an Iran[6]. The US links an end to its unilateral sanctions to Iran's compliance with a number of demands, including: ending support for radical organizations such as Lebanese Hezbollah, and the Palestinian Islamic Jihad and Hamas; ceasing active opposition to an Israeli- Palestinian peace process; and suspending its alleged WMD programs.

From Iran's perspective, dialogue should emphasize, an end to Washington's efforts to overthrow the regime in Tehran, as exemplified by the \$ 20 million given to the CIA for that end, an end to support for anti-regime activities abroad, an end to hostile propaganda over the airwaves against Iran, particularly as perceived to encourage the secession of Iranian Azerbaijan. Tehran, wants the American to abandon their sanctions and drop objection to the transfer to Iran of advanced technology "for peaceful nuclear purposes". It also wants to resolve outstanding financial claims, as well as be included in regional oil and gas projects involving the other Caspian Sea riparian states [7].

On the other hand, US relations with European allies are significantly strained by US unilateral sanctions against Europeans firms that do business with Iran. Some Europeans

have refused to comply and are considering retaliatory measures against the US. European states, moreover, do not share US analysis of the nature of the Iranian problem and do not support most US tactical measures to deal with Iran. Meanwhile US economic sanctions upon Iran are costly to American firms; US policies tend to push Iran into much closer relations with Russia. However, normal commercial energy planning in the region cannot take place while Iran is excluded [8].

By blocking Iranian transit routes, the United States encourages alternative routes through Russia, giving Russia leverage over this flow-much to the dismay of the newly independent Caspian states. Thus, while Iran remains the preferred pipeline transit option for most oil companies in developing Caspian energy, some of them feel they must exclude that option. Consequently, US political hostility to Iran impedes development of the vast East-West transport corridors along the new Silk Route, affecting the interests of Turkey, Armenia , Azerbaijan, Turkmenistan, Kazakhstan and China.

The United States, pushing for international sanctions against Tehran over its atomic ambitions, accuses Iran of providing logistical and financial support to Shi'a militias in Iraq, something Tehran denies [9]. The U.S. government imposed sanctions on an Iranian bank on September 8, 2006, barring it from dealing with U.S. financial institutions, even indirectly. The move against Bank Saderat Iran was announced by the undersecretary for treasury, who accused the major state-owned bank in Iran of transferring funds for alleged terrorist groups, including Hezbollah. While Iranian financial institutions are barred from directly accessing the U.S. financial system, they are permitted to do so indirectly through banks in other countries. This move was explicitly aimed at Bank Saderat, which the undersecretary said had transferred 50 million U.S. dollars directly

from Iran to a Hezbollah-controlled organization, and does not apply to other Iranian banks. He said the U.S. government would also persuade European banks and financial institutions not to deal with Iran [10]. In the next chapter, we will explain more on economic sanctions.

### *3. U.S. Support of anti-Iranian groups*

Scott Ritter has stated that CIA-backed bombings had been undertaken in Iran by the Mujahideen e-Khalq (MEK or MKO), an opposition group listed by the United States Department of State as a Foreign Terrorist Organization [11]. In April 2006, The Raw Story cited an unnamed UN source "close to" the United Nations Security Council stating that former MEK members had been used as a proxy by the US for "roughly a year" inside of Iranian territory. An intelligence source quoted by The Raw Story said that the former MEK members were made to "swear an oath to Democracy and resign from the MEK" before being incorporated into US military units and retrained for their operations in Iran [12].

Following the killing of 24 Iranian security forces in Iran in March 2006 by the Party for a Free Life in Kurdistan (PEJAK), an opposition group closely linked to the Kurdistan Workers Party (PKK), which is listed by the U.S. State Department as a Foreign Terrorist Organization, Dennis Kucinich claimed in a letter to George W. Bush on April 18, 2006, that PEJAK is being supported and coordinated by the US, since it is based in Iraq, which is under the de facto control of US military forces [13]. In November 2006, journalist Seymour Hersh in The New Yorker supported this claim, stating that the US military and the Israelis are giving the group equipment, training, and targeting information in order to create internal pressures in Iran [14]. Stratfor (as cited by Media Lens) claimed that an

attack inside Iran against the Islamic Revolutionary Guard Corps occurred in early 2007: "this latest attack against IRGC guards was likely carried out by armed Baloch nationalists who have received a boost in support from Western intelligence agencies" [15]. On April 3, 2007, the American Broadcasting Company (ABC) published a claim that Jundullah, a militant Islamic organization that is based in Waziristan, Pakistan and affiliated with Al-Qaeda and has claimed to kill about 400 Iranian soldiers while losing an indeterminable amount of terrorists,[16] has been supported by the USA since 2005 [17].

### ***C- US Claims***

"According to the Administration, Iran is a major national security challenge for the United States. The Administration perception is generated primarily by Iran's nuclear program but is compounded by Iran's military assistance to armed groups in Iraq and Afghanistan and to the Palestinian group Hamas and Lebanese Hezbollah.

However, the threat assessment of some other governments was lessened by the December 3, 2007 key judgements of a National Intelligence Estimate (NIE) that indicates that Iran is likely not on a drive to develop an actual nuclear weapon. The Bush Administration argues that the NIE at least partly validates its approaches to containing the potential threat posed by Iran – strengthening international economic and political isolation of Iran to compel it to comply with international demands that it end its enrichment of uranium. Two U.N. resolutions (1737 and 1747) ban weapons of mass destruction (WMD)-related trade with Iran, freeze the assets of Iran's nuclear and related

entities and personalities, prevent Iran from transferring arms outside Iran, and require reporting on international travel by named Iranians. With Iran still refusing to suspend enrichment, a modest further tightening of sanctions has been agreed to by the permanent members of the U.N. Security Council and Germany. Separate U.S. efforts, showing some success, have included trying to persuade European governments to curb trade, investment, and credits to Iran; and pressuring foreign banks not to do business with Iran. However, a December 2007 GAO report on U.S. sanctions says the impact on Iran's economy is difficult to determine" [18].

#### *1. Supporting of international terrorism*

"State Sponsors of Terrorism" is a designation applied by the United States Department of State to nations who are designated by the Secretary of State "to have repeatedly provided support for acts of international terrorism." [19] Inclusion on the list imposes strict sanctions. The list began on December 29, 1979 with Libya, Iraq, South Yemen, and Syria. According to Country Reports on Terrorism: April 30, 2007 [20], The US states that Iran is the most active state sponsor of terrorism. Its Islamic Revolutionary Guard Corps (IRGC) and Ministry of Intelligence and Security (MOIS) were directly involved in the planning and support of terrorist acts and continued to exhort a variety of groups, especially Palestinian groups with leadership cadres in Syria and Lebanese Hizballah, to use terrorism in pursuit of their goals.

Iran maintained a high-profile role in encouraging anti-Israeli terrorist activity, rhetorically, operationally, and financially. Supreme Leader Khamenei and President Ahmadi-Nejad praised Palestinian terrorist operations, and Iran provided Lebanese Hizballah and Palestinian terrorist groups - notably HAMAS, Palestinian Islamic Jihad,

the al-Aqsa Martyrs Brigades, and the Popular Front for the Liberation of Palestine-General Command - with extensive funding, training, and weapons.

Iran continued to play a destabilizing role in Iraq, which appeared to be inconsistent with its stated objectives regarding stability in Iraq. Iran provided guidance and training to select Iraqi Shia political groups, and weapons and training to Shia militant groups to enable anti-Coalition attacks. Iranian government forces have been responsible for at least some of the increasing lethality of anti-Coalition attacks by providing Shia militants with the capability to build IEDs with explosively formed projectiles similar to those developed by Iran and Lebanese Hizballah. The Iranian Revolutionary Guard was linked to armor-piercing explosives that resulted in the deaths of Coalition Forces. The Revolutionary Guard, along with Lebanese Hizballah, implemented training programs for Iraqi militants in the construction and use of sophisticated IED technology. These individuals then passed on this training to additional militants in Iraq.

Iran remained unwilling to bring to justice senior AQ members it detained in 2003, and it has refused to publicly identify these senior members in its custody. Iran has repeatedly resisted numerous calls to transfer custody of its AQ detainees to their countries of origin or third countries for interrogation or trial. Iran also continued to fail to control the activities of some al-Qaida members who fled to Iran following the fall of the Taliban regime in Afghanistan.

## ***2. Opponent with Israel***

Relations between Iran and Israel have alternated from close political alliances between the two states during the era of the Pahlavi dynasty to hostility following the rise to power of Ayatollah Ruhollah Khomeini. Currently, the countries do not have diplomatic

relations with each other. Iran does not formally recognize Israel as a country, and official government texts often simply refer to it as the "Zionist entity " or the "Zionist regime." Iran was the second country (after the United States) to formally recognise the establishment of the State of Israel. The history of the Persian Jews has been uninterrupted for over 2,500 years. It is a Mizrahi Jewish community in the territory of today's Iran, the historical core of the former Persian Empire, which began as early as the 8th century BCE, at the time of captivity of the ancient Israelites in Khorasan.

As of 2005, Iran has the largest Jewish population in the Middle East outside of Israel; the Iranian Jewish community is guaranteed one seat in the Majlis, currently held by Maurice Motamed. A larger population of Iranian Jews reside in Israel with the former President of Israel Moshe Katsav, former Chief of Staff and Defense Minister Shaul Mofaz, former Chief of Staff Dan Halutz and Israeli hip-hop star Subliminal being the most famous of this group.

After revolution, It was Ayatollah Khomeini who first declared Israel as an "enemy of Islam" and 'The Little Satan' during the second Pahlavi period in his campaign against Shah Mohammad Reza Pahlavi, who supported Israel (the United States was called 'The Great Satan'). Ayatollah Khomeini also called for Israel's destruction [21]. After the second phase of the 1979 Iranian Revolution which witnessed the establishment of the Islamic Republic, Iran withdrew its recognition of the state of Israel and cut off all official relations; official statements, state institutes, events and sanctioned initiatives adopted a sharp anti-Zionist and arguably antisemitic stance, such as the 2005 "World Without Zionism" conference in Teheran[22]. Iranian military parades started featuring

ballistic missiles adorned with slogans such as 'Israel must be uprooted and erased from history' [23].

### ***3. Nuclear Program***

The US stress that Iran has an inferiority complex, wants nuclear weapons for psychological comfort and to ensure the Islamic Republic's survival, and therefore would base its nuclear strategy on defensive deterrence. The US believes that Iran needs advanced nuclear technology for numerous reasons: weapons of mass destruction were used by Iraq against Iran in their 8-year long war; Israel, India, Pakistan, and the United States have them; Iran is strategically isolated and needs self- sufficiency to defend itself in the event of attack, and the possession of such weapons would give the regime legitimacy, respectability, and protection. All these reasons give the regime a substantial interest in pursuing the nuclear option [24].

The US claims that a nuclear armed Iran and dominated by 'conservative clerics' and politicians following a hard line on foreign policy and security issues might become less risk- averse and act more aggressively toward its neighbors and foes. It might demand that its Muslim and Arab neighbors adopt its political and security visions. It might shelter its extremist surrogate and groups using terror tactics under its nuclear umbrella and encourage them to try to destabilize Israel, spoil peace talks, make influence on Iraq, cripple down anti- Syrian efforts in Lebanon or shape the oil market. It would be difficult for the US, the EU, Russia, China, or other Asian governments, with their heavy dependence on the Persian Gulf energy resources, to ignore Iran in a spoiler mode.

In summary, obstacles to "resumption of relations" between the two countries from the U.S. perspective can be noted as follow:

- State sponsorship of international terrorism
- Pursuit of weapons of mass destruction
- Threats to neighbors in the Persian Gulf,
- Opposition to the Arab-Israeli peace process
- Violations of human rights

In recent years, the last two issues seem to have lost some of their potency and are now only infrequently raised. On the other hand, a new accusation of Iran's harboring of al Qaeda operatives has recently been added to the list.

On Iran's side, its original post-revolutionary list of demands included:

- That the United States accept the legitimacy of the 1979 revolution,
- Not interfere in Iran's internal affairs,
- Deal with the Iranian regime on the basis of "respect and equality."

Subsequent demands by Iran are as follow:

- Lifting U.S. economic sanctions,
- Release of frozen Iranian assets in the United States
- Removal of the U.S. Navy from the Persian Gulf
- An end to one-sided support for Israel
- A formal apology for Washington's past misdeeds

#### ***D- Conclusion***

From the Iranian point of view, US policies unfairly hinder the development of an Iranian economy already hurt severely by the punishing eight-year Iran – Iraq war. Iran’s ability to develop and modernize its own energy sector has been sharply handicapped, even though Iran remains the second largest oil producer in the Persian Gulf today, still being isolated from much of the rest of the world, partly because of US pressure. As Iran lives in a dangerous and unpredictable neighborhood, its officials are careful to reassure their immediate neighbors that Iran poses no threat to regional stability and would never use its special capabilities to intimidate or influence them. It seems that Iranian believe that the only way they can maintain their territorial integrity, restore their prestige, and preserve their political survival is through reliance on its nuclear capabilities and its ability to be totally self- sufficient in nuclear research and production. Officials in Tehran in many occasions stressed that Iran never wants nuclear weapons because it has been a victim of mass destruction.

Iranians, they emphasize, know that the use of nuclear weapons against Israeli or US targets would be suicidal. They also point out that such use would be historically uncharacteristic; after all, Iran has not invaded or attacked another country over 150 years. These observers predict that a nuclear-armed Iran would not be aggressive and would have better relations with the US. With Iran’s standing in the Islamic world, The US and Israel would be held responsible for any preemptive attack, regardless of deniability. This only would increase the risk of violent retaliations. Iranian friends, such as Hezbollah in Lebanon and some Palestinian factions could retaliate, and some other organizations such as al-Qaeda would certainly use this evidence of Christian- Zionist

collusion against Muslims to win more recruits, rally anti-American demonstration, and encourage violent operations. Meanwhile, the balance of power within the Iranian regime would shift further to the right. The hardliners would claim vindication for their anti-American views, and their role as the Ultimate guarantors of Iranian national security would be confirmed. So, the role of civil security and related groups would be downgraded.

Iran's geopolitical relations with regional and global powers make it an important player with international standing. It seems Iran's national security less connects to regional relations, and more depends to forming relations with the great powers. For Iran, providing national security, avoiding security threats and keeping national identity and political system could not be achieved without working relations with the great powers. Establishing constructive relations with the influential Western powers can be seen as the most important task in its foreign policy, because of too many problems and challenges, which are arising from disorder in its relations with the Western countries.

Hostility in both countries, Iran and the US has become somewhat institutionalized, complicating a rapprochement. In the United States, growing recognition that US policies toward Iran have not been successful and indeed are increasingly costly helps create an openness to change. Meanwhile, economic development is urgently required in Iran to support the necessary and difficult process of political change.

As many argue, sanctions, particularly unilateral sanctions such as those targeted at Iran, are less and less effective in a global economy, where governments have the opportunity to produce their strategic needs from other countries. Instead, sanctions are likely to

impose further hardship on the poor, while seldom adversely affecting the regime and government officials. If the intent of the sanctions was to limit the Iranian government's military or nuclear procurements, or limit investment in oil and gas exploration, the sanctions have been a total failure. European companies have taken the lead in investing in Iranian oil and gas fields in the Persian Gulf. Iran's cooperation with Russia, Pakistan and other countries on procuring equipment for its nuclear power plants have also not been affected by the sanctions.

However, if the objective of the sanctions was to punish the Iranian people, sanctions can be deemed quite effective. Iranian state-owned airlines are flying dilapidated planes that put passengers at risk, and the consumers purchase US products at double or triple their original price. Many advocates the US sanctions against Iran have argued that sanctions can serve to increase dissatisfaction with the Iranian government and increase the likelihood of an internal regime change. But we can say that did not work in the case of Iraq, where far harsher, multilateral sanctions were in effect, and it is far less likely to happen in Iran. In fact, at any time the Iranian government has felt less isolated, it has been more responsive to the international community. The fact that European pressure on Iran are far more effective than pressure applied by the US may be explained by the large investment of European firms in the Iranian oil and gas industries, as well as extensive trade. So it seems that a historic move towards opening up trade and strengthening the Iranian private sector and civil society could prove more fruitful than isolationist policies of the past years, which have not had any significant effect on social and political changes in Iran.

Iran's policy makers have failed until now to recognize international conditions and the country's place in the hierarchy of world power. The regional power of Iran will be retained if it can solve its problems at the national level and has a stable position as a government and nation. Domestic political stability is a pre-condition for consensus making in the area of foreign policy. Iran's government should plan to promote human right programs, and public living standards with better situation in domestic policy Iran would be able to bargain strongly in international arena.

## References:

1. Amuzegar, The Dynamics of the Iranian Revolution, (1991), p.4, 9-12
2. Barry Rubin, *Paved With Good Intention: The American Experience and Iran*, (New York: Oxford University Press 1980), PP. 44-51
3. Gary Sick, *All fall Down: America's Tragic Encounter with Iran*. (New York: Random House Inc. 1985) PP. 14-62. and also see the following site:  
<http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB28/index.html>
4. J. Anne Hart, "*Spiral of Hostility; US-Iran Relations Since Revolution*", Middle East Insight, Vol. 11, No.5(1995), PP.23-25
5. C. P, Bradley, *Recent US policy in the Persian Gulf*, (N. H. Thompson and Rutter Distributed. 1982) PP.17-25.
6. J., A., Phillip, *Containing Iran, Backgrounder*, (Washington,D.C: HeritageFoundation, 1994) PP. 11-26.
7. International Crisis Group, *Iran: The Struggle for the Revolution's Soul*, ICG Middle East Report No.5.(2002) PP. 12-19

8. Kenneth, Katzman, *US-Iranian Relations: An Analytic Compendium of US Policies: Laws and Regulations*, (Washington D.C: The Atlantic Council of the United States 1999) PP.18-32.
9. "Iraq prime minister to visit Iran", *Al Jazeera*, September 9, 2006.
10. [http://english.peopledaily.com.cn/200609/09/eng20060909\\_301143.html](http://english.peopledaily.com.cn/200609/09/eng20060909_301143.html)
11. <http://www.zmag.org/content/showarticle.old/itemid=8126>
12. [http://www.rawstory.com/news/2006/US\\_outsourcing\\_special\\_operations\\_intelligence\\_gathering\\_0413.html](http://www.rawstory.com/news/2006/US_outsourcing_special_operations_intelligence_gathering_0413.html)
13. <http://kucinich.house.gov/News/DocumentSingle.aspx?DocumentID=42505>
14. [http://www.newyorker.com/fact/content/articles/061127fa\\_fact](http://www.newyorker.com/fact/content/articles/061127fa_fact)
15. [http://www.medialens.org/alerts/07/0404a\\_menace\\_to.php](http://www.medialens.org/alerts/07/0404a_menace_to.php)
16. <http://www.washtimes.com/world/20060116-124019-6619r.htm>
17. [http://blogs.abcnews.com/theblotter/2007/04/abc\\_news\\_exclus.html](http://blogs.abcnews.com/theblotter/2007/04/abc_news_exclus.html)
18. <http://fpc.state.gov/documents/organization/50384.pdf>
19. <http://www.state.gov/s/ct/c14151.htm>
20. <http://www.state.gov/s/ct/rls/crt/2006/82736.htm>
21. <http://english.aljazeera.net/English/archive/archive?ArchiveId=35678>
22. <http://english.aljazeera.net/English/archive/archive?ArchiveId=15816>
23. [http://terrorism-info.org.il/malam\\_multimedia/html/final/eng/sib/4\\_04/as\\_iran.htm](http://terrorism-info.org.il/malam_multimedia/html/final/eng/sib/4_04/as_iran.htm)
24. *Armed Iran*, (Institute for National Strategic Studies, National Defense University, 2005)

## **CHAPTER 3- ECONOMIC SANCTIONS**

### ***A- Introduction***

Economic sanctions are domestic penalties applied by one country (or group of countries) on another for a variety of reasons. Economic sanctions include, but are not limited to, tariffs, trade barriers, import duties, and import or export quotas. Economic sanctions are frequently retaliatory in nature. Economic sanctions are not always imposed because of economic circumstances. For example, on May 13th 1998, the United States and Japan imposed economic sanctions on India, following its second round of nuclear tests. The United States has imposed economic sanctions on Iran for years, stating Iran's "state sponsor of terrorism" as its main reason.

Generally, economic sanctions might be defined as "coercive economic measures taken against one or more countries to force a change in policies or at least to demonstrate a country's opinion about the other's policies" [1]. The most-often quoted study on sanctions defines the term as "...the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations" [2]. Economic sanctions typically include measures such as trade embargoes; restrictions on particular exports or imports; denial of foreign assistance, loans, and investments; or control of foreign assets and economic transactions that involve U. S. citizens or businesses. These definitions of economic sanctions would exclude diplomatic demarches, reductions in embassy staff or closing of embassies, mobilizing armed forces or going to war--tools clearly intended to change another country's behavior through other than economic means. The use of "carrots" (e.g., granting most-favored-nation status for another year; or selling advanced military aircraft to Taiwan to change China's behavior) would not qualify as a sanction.

## **B- The History of US Sanctions against Iran: Chronology of Key Events, 1984-2006**

By some estimates, the U.S. currently has imposed some form of economic sanctions on over seventy countries (USA Engage, 2001). There are a number of possible reasons why the U.S. is by far the pre-eminent sender of sanctions. First, as a superpower, the U.S. has influence and thus tries to get countries and entities around the globe to support, or at least not frustrate, its political, economic, and military agendas. Second, the U.S. economy is so big--representing roughly twenty-five to thirty percent of global GDP--that U.S. economic sanctions could have an impact on a target since it could represent a significant market for a country's exports, be the supplier of choice for a country's imports, be a major source of capital flows to support a country's investment program, and so on. Third, the U.S. can further affect the target by asserting pressures to support U.S. policies regarding the target on third countries and on international and regional organizations. Fourth, U.S. politicians are vulnerable to domestic lobbying from special interest groups (for example, financial donors to campaigns and representatives of a large voting bloc) who have economic or political interests in sanctioning a country (for example, the Cuban and steel lobbies). Fifth, while the U.S. could resort to force in pursuing economic and political ends, it is politically preferable for politicians to use sanctions, inasmuch as military engagement requires funding, results in U.S. casualties, and can escalate.

U.S. sanctions on Iran have gone through a number of changes over the last twenty years. They were imposed to change various policies, including opposition to the Middle East peace process, support for Hezbollah and Hamas, acquisition of nuclear and ballistic

weapons, general support for international terrorism, and hostility toward the U.S. The following contains a list and a brief description of the most prominent sanctions affecting U.S.-Iranian economic relations:

**23 January 1984:** Alleging Iranian involvement in Marine base bombing in Lebanon, US State Department adds Iran to list of nations supporting terrorism, and thus subject to stringent export controls.

**26 October 1987:** President Reagan invokes section 505 of the International Security and Development Cooperation Act of 1985 and embargoes all imports from Iran, prohibits export of 14 types of potentially militarily useful goods, including inboard and outboard motors, mobile communications equipment, electrical generators, hydrofoil vessels.

**15 March 1995:** President Clinton issues executive order barring US citizens and companies from financing, supervising and managing oil development projects in Iran—blocking Conoco’s pending \$1 billion investment in Iranian offshore oil project.

**30 April 1995:** Citing proliferation and terrorist concerns, the White House announces it will ban effective 8 June 1995, all direct US trade with Iran, as well as an estimated \$4 billion in indirect trade, mainly by American companies selling Iranian oil in third countries. French, German and British officials call sanctions the wrong approach and announce they will continue their policy of “critical dialogue” with the Iranian regime. Oil analysts estimate that Iran will have no trouble finding buyers for its exports to replace American companies.

**7 March 1996:** US and Israeli intelligence sources allege Iranian involvement in a recent wave of terrorist attacks in Israel.

**2 May 1996:** US military officials charge Iran has acquired Nodong II missiles from North Korea and is building underground bunkers to deploy them.

**23 July 1996:** The House passes Senate version of the Iran and Libya Sanctions Act (ILSA), which penalizes companies investing over \$40 million in one year in Iran's oil and gas sector; after one year, the annual investment limit triggering sanctions drops to \$20 million. Potential sanctions include two or more of the following: (1) denial of credits from the US Export-Import Bank; (2) denial of export licenses for controlled goods or technology; (3) prohibition of loans of more than \$10 million from US financial institutions for a 12-month period; (4) prohibition of foreign financial institutions from dealing in US government debt or US government funds; (5) prohibition against participation in any US government procurement project; (6) import restrictions. Sanctions are required to be in effect for up to two years, and in "no case" can they be applied for less than one year. The President may waive all or part of the sanctions against a foreign company if doing so is deemed to be in the national interest. Bill sunsets five years after enactment unless Congress votes to extend.

**19 August 1997:** President Clinton issues an executive order that explicitly prohibits re-exports of US goods, technology and services to Iran.

**21 February 1998:** Despite US objections, Russia decides to expand role in building nuclear power plant in Iran.

**22 July 1998:** Iran tests a missile with an 800-mile range, capable of reaching Israel. American officials say the "Shahab 3" missile came from North Korea.

**25 November 1998:** Russia signs an \$800 million deal to finish building the Bushehr nuclear power plant in Iran; announces it may bid on three more nuclear reactors for \$3 billion. Russia assures US that agreement concerns peaceful nuclear cooperation only.

**23 February 1999:** US impose import sanctions on 10 Russian entities for giving assistance to Iranian nuclear and missile programs.

**28 April 1999:** President Clinton announces that the US will exempt exports of food and medicine from future sanctions imposed by the executive branch. The new rules also apply to food and medicine sales to Iran, Libya, and Sudan, which will be permitted on a case-by-case basis. Specific licensing rules will be drawn up for each country and there will be no US government, funding, financing or guarantees for the sales. Early Dec. 1999 US officials say that intelligence reports suggest that Iran has recently increased aid to terrorist groups opposing the Middle East peace process.

**15 March 2000:** President Clinton signs the Iran Nonproliferation Act of 2000 into law. Act requires the president to send report to Congress identifying countries and entities assisting Iran with its weapons programs and gives the president the authority to impose sanctions on these countries but does not make sanctions mandatory. The Act also bars the US from making “extraordinary” payments to the Russian Space Agency to build the International Space Station or any other organization of the Russian government until the president determines that Russia is actively opposing proliferation in Iran. The president may waive sanctions for national security reasons.

**17 March 2000:** Secretary of State Albright announces that US will lift ban on Iranian non-oil exports such as carpets, caviar, pistachios and dried fruit, and states that US will

increase efforts to reach a settlement to all legal and financial claims between the two countries and to reduce barrier to cultural exchanges. US sanctions barring American investment in Iran's oil sector, however, remains in place.

**14 April 2000:** US government determines that five entities in North Korea and Iran have engaged in missile technology proliferation activities that require imposition of sanctions under the Arms Export Control Act. Sanctions are largely symbolic.

**27 July 2001:** Congress renews ILSA for another five years, despite opposition from the US business community and the Bush administration. The "ILSA Extension Act of 2001" requires the president to submit a report to Congress within 24 to 30 months on the effectiveness of the sanctions, their impact on other US economic and foreign policy interests and the humanitarian situation in Iran and Libya. European Commission criticizes the ILSA extension and threatens to retaliate if sanctions are imposed against European companies.

**13 February 2002:** US blocks Iran's bid to join the WTO.

**25 July 2002:** Under the Iran-Iraq Arms Non-proliferation Act of 1992, the US sanctions nine Chinese companies and one Indian entity for selling prohibited goods to Iran.

**21 October 2002:** Russian officials refuse an American proposal to lift restrictions on the import of spent nuclear fuel into Russia (which can be reprocessed to make enriched uranium or plutonium for nuclear weapons) in return for Russia's ceasing all atomic cooperation with Tehran, including the construction of the Bushehr reactor.

**21–22 February 2003:** IAEA Director General Mohamed ElBaradei visits Iran to make nuclear inspections and urge Iran to sign the Additional Protocol to the IAEA Safeguards

Agreement, which would require an increase in the transparency of the Iranian nuclear program and provide the IAEA with increased access.

**May 2003:** Responding to US pressure, Russia informs Iran that it will not deliver the nuclear fuel for Bushehr unless Iran signs the Additional Protocol.

**4 June 2003:** Russia changes course from its May 2003 announcement, now declaring it will not link the supply of nuclear fuel in Bushehr to Iran's signing of the Additional Protocol.

**6 June 2003:** IAEA report to its Board of Governors concludes that Iran has failed to meet its "safeguards" obligations by failing to fully account for nuclear material imported from China in 1991.

**10 November 2003:** IAEA report to its Board of Governors condemns Iran for 18 years of manufacturing enriched uranium and plutonium as part of a secret nuclear program.

**18 December 2003:** Iran signs the IAEA Additional Protocol.

**13 March 2004:** IAEA Board of Governors unanimously rebukes Iran for failing to disclose significant aspects of its nuclear program. In February 2004, US investigations into the nuclear network masterminded by AQ Khan of Pakistan (the father of Pakistan's nuclear bomb) uncover Iran's plans to build advanced P2 reactors for enriching uranium. Retaliating against the IAEA rebuke, Iran immediately bars nuclear inspectors from entering the country.

**28 October 2004:** Iran and China sign a preliminary agreement to allow China's Sinopec Group to develop Iran's Yadavaran oil field in exchange for agreeing to buy 10 million tons of Iranian liquefied natural gas annually for 25 years.

**26 May 2005:** Prompted in part by Iran's recent nuclear cooperation in negotiations with the EU, the US announces it will allow Iran's WTO membership talks to begin.

**4 February 2006:** IAEA governing board refers Iran to the UN Security Council over concerns that the country is developing nuclear weapons.

**14 February 2006:** Iran resumes uranium enrichment. Earlier, Iran announced it would no longer permit surprise inspections of nuclear facilities [3].

### ***C- Economic Sanctions Issues***

Besides the initial freezing of Iranian assets, the most prominent sanctions on Iran are the restrictions on U.S.-Iranian trade (all imports from Iran and all exports to Iran in 1995) and the prohibition of investments in Iran (in 1995 and extended to third countries in 1996 via USA. As noted above, while the impact of trade restrictions has been the most visible, noticed, studied, and debated aspect of U.S. sanctions, the less discussed non-trade and indirect sanction policies may have had a more significant and longer-term impact (Preeg, 1999). These non-trade sanctions, policies, and effects include restricting the availability of export financing from the U.S., restricting the availability of export financing from third countries, restricting the availability of IMF/World Bank financing, increasing the cost and restricting the availability of commercial financing, restricting Iran's debt-rescheduling efforts, impairing FDI flows (especially in the energy sector), U.S. opposition to gas and oil pipelines across Iran, and opposition to oil-swaps with Iran.

According to a brilliant study, U.S. sanctions could have increased Iran's cost of capital for a number of reasons. First, the withdrawal of U.S. commercial banks from lending to

Iran would mean less competition to supply Iran with capital and thus a somewhat higher cost. Second, a negative economic perception of Iran (higher risk) imparted by U.S. sanctions could affect third countries' assessment of Iranian investment risk, again increasing Iran's cost of borrowing. Third, the cloud of a secondary U.S. boycott of third countries' transactions with Iran could deter their lending to Iran and thus further increase its borrowing costs.

There has been no U.S. export financing available for Iran from the U.S. Export-Import Bank since 1990. The unavailability of such financing was clearly in force prior to executive order #12959 in 1995. The absence of U.S. export financing has had several costs for Iran. First, Iran has incurred the differential cost between commercial trade financing and that afforded by U.S. government-supported export financing programs. Second, the absence of U.S. trade financing may have resulted in lower trade financing for Iran from other countries, because countries provide export financing in order to compete with other countries. If the U.S. is not providing export financing for Iran, then there is less pressure for other countries to do so to compete with U.S. exporters. Moreover, U.S. sanctions may increase the perceived risk of Iranian financing and thus lower the availability (or increase the cost) of export financing from other countries [4].

By doing a comprehensive economic sanction on Iran, the countries that are considered Iran's major trade partners will be forced to end or severely reduce their trade relations with that country. Doing so will impose a cost on their export industries. For the past two decades the United States has imposed a partial but broad economic sanction on Iran and as a result the volume of trade between the two countries is minimal. Advanced European

and Asian countries, on the other hand, have maintained close economic ties with Islamic Republic of Iran in this period and will have to give up their current share of Iran import market. Furthermore, the recent rise in Iran's oil revenues has allowed it to increase its merchandise imports in the past five years. Total volume of imports rose by 189% from \$13.7 billion in 2000 to an estimated \$39.7 billion in 2005.

In 2005 Germany had the largest share of Iran's export market with \$5.67 billion (14.4%). Germany has indeed been Iran's top trade partner in the past 15 years but its share diminished from 17.8% of Iran's total imports in 1990 to 10.5% in 2000 before rising again in recent years. The second rank among top exporters to Iran in 2005 belongs to China with \$3.3 billion or (8.3% of total). China's exports to Iran have enjoyed the fastest growth rate in the past five years. Iran's imports from China rose by 360% between 2000 and 2005. The rise of China has been associated with a decline in Japan's exports to Iran. In 1990 Japan was the second largest exporter to Iran with 11.2% of total market but this share has declined to 3.37% in 2005. Aside from China's inexpensive products, Iran is also buying more from China for strategic reasons. China is a member of the U.N Security Council and has repeatedly resisted the United States' calls for diplomatic and economic isolation of Iran.

Italy and France are also among major exporters to Iran. Italy was the third largest exporter to Iran in 2005 with 7.5% of the market and France ranked sixth with 6.2%. Unlike continental Europe, the United Kingdom has lost a portion of its share of Iran market in recent years. While it ranked 4th among top exporters to Iran in 1995 with 5% of the market, it could not make it to top ten in 2005. This is partly due to the rising diplomatic tensions between the two countries. Iran has accused the U.K. of supporting

the separatist militants that have been responsible for several bombings in the oil rich south-eastern province of Khuzestan. The U.K, on the other hand, has accused Iran of supporting the Shiite militias that have attacked its troops in Southern Iraq.

Iran has used its international trade relations for diplomatic goals in the past and it is likely to continue this policy in the coming years as the current nuclear crisis continues. In 2005, Iran put severe restrictions on Korean exports after that country sided with the United States in an International Atomic Energy Agency (IAEA) ruling against Iran. A similar implicit boycott was also imposed on exports of the United Kingdom. In the next two years Iran's trade with the European Union (EU) will be highly vulnerable to diplomatic developments. The share of EU in Iran import market has increased from 36% in 2000 to 41.7% in 2005 and the Iranian government had hoped that this steady growth will discourage EU from supporting an economic sanction against Iran. At the same time the growing share of Europe in Iran's merchandise imports has increased Iran's dependency on European industrial products and machinery. Iran's manufacturing and industrial sector will experience a severe short-term recession if the supply of European exports are cut off. In the longer run Iran can find Chinese substitutes for most of these European products as long as China does not join the economic sanction against Iran.

\*Top ten exporters to Iran in 2005: Germany (14.2%), China (8.3%), Italy (7.51%), UAE (6.8%), Korea (6.42%), France (6.25%), Russia (5.33%), India (3.42%), Brazil (3.41%) and Japan (3.4%)

Even if U.S. exports to a target country (direct and through third countries) are down as a result of sanctions, what is the actual loss to the U.S.? Depending on the composition of the goods previously exported to the country, it is possible that these same goods may be

exported to some other countries, albeit at a slightly lower price. If this is the case, the loss in export revenues, jobs, and wages may be minimal. Moreover, even if the loss in exports to the target is not compensated by exports to other countries, some of the goods otherwise exported to it could be consumed domestically in the United States, or the inputs could be redirected to produce other goods for the U.S. While such redirection involves losses of efficiency compared to the market-determined path of exports to target countries, it is important to note that export losses through sanctions will be offset to a significant extent by redirection of production and inputs.

On the import side for the United States, what does the loss of imports from target countries mean? If the U.S. can buy the same goods at the same price from other countries, there is no loss. However, if that is not the case, prices in the U.S. will increase, imposing a classical deadweight loss (from trade reduction) on the U.S. The size and nature of this loss and its implication may be very different from that of a loss in foreign exchange earnings associated with lower exports.

For the target country, similar considerations will determine the cost of U.S. sanctions on their merchandise exports and imports with the U.S.

From the discussion above, it is clear that aggregate trade models have significant limitations in assessing the economic effect of trade sanctions on particular countries. Thus, to get a more comprehensive and detailed picture of how trade sanctions work, we now examine the impact of sanctions on Iran. Such a detailed examination permits us to identify and assess the range of effects of sanctions that go beyond direct merchandise trade and provide a clearer picture of merchandise trade as well.

While Iran, as any single country with its own special characteristics, may be seen as unique, the results still carry a powerful lesson. Namely, the impact of sanctions other than those affecting bilateral trade may impose a much higher cost than trade-related sanctions on the target country and the U.S., and their adverse effects may continue for a long time after all sanctions are lifted. If unchecked, the proliferation of U.S. sanctions may pose an ever-increasing and serious burden on the international, economic, and financial interests of the United States.

Direct merchandise trade between the U.S. and Iran has declined significantly because of sanctions, but the trade impact has been limited. As for Iran's exports, its oil revenues have been very little affected by sanctions; and its non-oil exports, while modestly affected, are not a total loss because some of the goods may have been diverted to other countries and some may have been consumed domestically. As for its imports, Iran can buy most of the goods previously imported from the U.S. from other countries and has continued to import many U.S. goods, especially through Dubai (albeit at a twenty percent markup). Only the higher cost of U.S. imports through third countries, because of the markup, is a real out-of-pocket cost to Iran. However, to the extent that sanctions have had a deleterious effect on Iran, this has been indirect and through other channels. These include higher financing costs, retarded or stalled oil and non-oil joint venture projects (which, in turn, have impeded oil capacity development and thus possibly reduced oil production and oil exports), and the like. Moreover, non-quantifiable, longer-term indirect effects of sanctions may turn out to be the most significant effect of sanctions.

#### ***D- CONCLUSION***

Over a period of twenty years, U.S. sanctions on Iran have had a significant economic cost for the U.S. as well as for Iran. Direct merchandise trade between the U.S. and Iran has declined significantly, but the real cost of sanctions to each country is not a result of reduced bilateral trade, since much of this trade has been diverted to third countries. What net loss in trade remains should be viewed more precisely as purely a loss in foreign exchange. The real cost of sanctions for both countries is a result of impeded FDI, missed joint venture opportunities, and broken financial relationships. These costs are likely to accrue even after sanctions are lifted, while bilateral direct trade may be restored much more quickly.

International business is much more than merchandise trade. It is built on deep-rooted business relations. It is nurtured by continual contact and dialogue. It grows from dreams into projects designed and developed by would-be partners from around the globe. It is financed by financial relationships supported by partners from a number of countries. The realization of such projects in turn results in FDI, in technology transfer, in increased trade in goods and services, and in the sharing of profits. Even when sanctions are removed, in many cases economic relations will not go back to where they were before the imposition of sanctions. The legacy of broken economic and financial relations can take many years to repair and re-establish.

Sanctions are one of the many ways that countries interfere with international trade and finance. When countries use tariffs or traditional non-tariff barriers (NTBs), their goal is limited to affecting some aspect of international economic or financial relationship with

the target. In the case of sanctions, a non-traditional NTB, the goals are usually much more ambitious--to inflict adverse economic conditions on the target (in turn causing a fundamental change in policies, a change in government, and more). But invariably there is little or no connection between the instrument (the sanction) and the policy goal. Sanctions are thus a shotgun approach to international economic, financial, and political relations.

While the imposition of tariffs or NTBs usually invites retaliation and is thus avoided, in the case of sanctions retaliation by the target is hardly mentioned. The practical reason for this blind spot is that only the United States uses this instrument frequently, and the countries that are its target are invariably either not in a position to retaliate or the significance of their retaliation is small or underestimated. Thus, while economists warn against the dangers of tariffs and NTBs, little is said about the dangers of sanctions. But sanctions impose a significant cost on the U.S. as well as on target countries. These costs are underestimated for a number of reasons, including the fact that estimates usually incorporate only the reduction in direct merchandise trade (ignoring services, costs of capital, FDI, other capital flows etc.), the assumption that sanctions have an effect only while they are in force (the residual effect after the lifting of sanctions is not taken into account), and neglect of the impact on long-term business relations with the target and with third countries (such as reducing the perceived reliability of U.S. firms).

The success of sanctions is exaggerated because policies in target countries are likely to change eventually because of internal political dynamics not necessarily related to U.S. sanctions. The attractiveness of sanctions for U.S. politicians is that they do not cost U.S.

lives, their cost is somewhat hidden (requiring no budgetary allocation), they do not make daily headlines, and success can always be claimed to be around the corner.

The experience with sanctions on Iran confirms much of the above. The United States was frustrated with Iran, and U.S. politicians wanted to appear "tough" with Iran. This has led to a policy of continually escalating sanctions over a period of roughly twenty years. While sanctions have impacted direct bilateral merchandise trade (largely losses in foreign exchange only), the non-trade impact of sanctions, which will continue to accrue even after sanctions are lifted, appears to be much more important because it represents a real cost to both sides.

It is most important to note that the objectionable policies that are presumably followed by Iran have not changed. There is little indication of any impact on Iranian policies except that U.S.-Iranian business relations are likely to be adversely affected for some time. The same can be said for Cuba and other sanctioned countries.

For the future, the United States may become more restricted in its use of economic sanctions. More and more countries can be expected to join the WTO, and the significance of the WTO in global trade and finance should increase. Thus, unilateral sanctions could invoke costly WTO sanctions in return. More and more countries could also join regional trading blocs, increasing the cost of sanctions to the U.S. Better data and more comprehensive studies may convince the U.S. electorate (and in turn U.S. politicians) that sanctions are not usually a cost-effective policy option. Finally, we propose that future U.S. policy will require a sanction impact study for all proposed sanctions. This will force politicians to think through their expected chain of events and

to comprehensively address the costs and benefits of sanctions, while affording a useful benchmark to assess the success or failure of sanctions.

**References:**

1. Carter, Barry E., *International Economic Sanctions: Improving the Haphazard U.S. Legal Regime*. Cambridge: Cambridge University Press, 1988. P. 4.
2. Hufbauer, Gary Clyde, Jeffrey J. Schott and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*. Washington, DC: Institute for International Economics, 1990 (second edition). P. 2.
3. Gary Hufbauer, Jeffrey Schott, Kimberly Elliott, and Barbara Oegg. *Economic Sanctions Reconsidered: History and Current Policy*. Third Edition. Washington: Institute for International Economics, forthcoming 2007.
4. Askari, Hossein; Forrer, John; Teegen, Hildy; Yang, Jiawen, *U.S. Economic Sanctions: Lessons from the Iranian Experience - Statistical Data Included*, July 1, 2001 Business Economics

## **CHAPTER 4- CONCLUSION**

Iran-US relations have disrupted since the revolution in Iran. After that, Iran has experienced different crises. These include the eight-year war with Iraq, the assassination of prominent revolutionary leaders, the death of Imam Khomeini, and the international embargo led by the United States. However, the Iranian state has proved its ability to survive all these storms. For the past years, the majority of action taken by the United States and its Western allies with respect to Iran has been sanctions, harsh and inflammatory rhetoric, and political isolation, all of which have proven ineffective in making Iran a contributing member of the international community.

However, everybody knows the United State is a great power in the world and affect other countries by different policies. Now it is time to think about and reconsider our relations deeply and reasonably with the great powers. The world has changed and other power states like China altered their national policy even in their fundamental policies and values. They adapted new approach in the globalization era.

According to basic indicators, which mentioned in chapter three, we should reevaluate our foreign policy with the US. Lacking relation with this superpower has many costs for Iran. As we mentioned, there are many reason for this. From the U.S. perspective, Iran sponsors international terrorism, persuade the weapons of mass destruction, is threats to neighbors in the Persian Gulf, is a opposition to the Arab-Israeli peace process, violates of human rights. On Iran's side, United States has not righ underestaning on Iran and demands that the United States accept the legitimacy of the 1979 revolution, not interfere in Iran's internal affairs, and deal with the Iranian regime on the basis of "respect and equality." Subsequent demands by Iran are as follow, lifting U.S. economic sanctions,

release of frozen Iranian assets in the United States, removal of the U.S. Navy from the Persian Gulf, an end to one-sided support for Israel, a formal apology for Washington's past misdeeds.

With no doubt political and economic cooperation would not be successful without preparing a security framework. In other words, Iran needs to demonstrate a predictable and confident foreign policy behavior, based on a common consensus among domestic policy makers. The consensus leads managing a kind of behavior in international arena that has a specific framework and stable rules. Domestic political stability is a precondition for consensus making in the area of foreign policy. The geopolitical and geoeconomics characteristic of Iran have a special condition that it cannot form regional coalition without organizing its relations and communication with the global power centers.

As the years passed, policy of confrontation has failed. It seems that establishing a cooperative framework on issues of mutual interests, especially on nonpolitical ones will be productive. The two countries may intensify people-to-people exchange, including cultural academic, athletic and political ones. The US may encourage Iran to make practical contributions to peacemaking efforts along the lines of its activity in UN non-proliferation committees, Iraq and Afghanistan crises. They may develop and fund joint programs to promote small and medium-size private enterprises, strengthen democratic structures and civil society at communal level, particularly in areas deemed less politically sensitive such as urban development, traffic and deforestation. The US should lift such opposition as continues to Iran's entering negotiations aimed at joining the World Trade Organization to encourage the kinds of economic reforms. The US should leave all offensive behaviors regarding

Iranians such as finger- printing in its airports. Iran's government should plan to promote public living standards with better situation in domestic policy and other area.

## BIBLIOGRAPHY

1. David W. Lesch, *The Middle East and the United States: A Historical and Political Reassessment*, Westview Press, 2003, p.52
2. Zirinsky M.P. *Imperial Power and dictatorship: Britain and the rise of Reza Shah 1921-1926*. International Journal of Middle Eastern Studies. 24, 1992. p.646
3. *Exporting MIT*. Stuart W. Leslie and Robert Kargon. *Osiris*, volume 21 (2006), pages 110–130
4. Keddie, *Modern Iran : Roots and Results of Revolution* (2003), Yale University Press, p.265
5. Kinzer, Stephen, *All the Shah's Men : An American Coup and the Roots of Middle East Terror*, Stephen Kinzer, John Wiley and Sons, 2003, p.86
6. Amuzegar, *The Dynamics of the Iranian Revolution*, (1991), p.4, 9-12
7. Barry Rubin, *Paved With Good Intention: The American Experience and Iran*, (New York: Oxford University Press 1980), PP. 44-51
8. Gary Sick, *All fall Down: America's Tragic Encounter with Iran*. (New York: Random House Inc. 1985) PP. 14-62.
9. J. Anne Hart, "*Spiral of Hostility; US-Iran Relations Since Revolution*", Middle East Insight, Vol. 11, No.5(1995), PP.23-25
10. C. P, Bradley, *Recent US policy in the Persian Gulf*, (N. H. Thompson and Rutter Distributed. 1982) PP.17-25.
11. J., A., Phillip, *Containing Iran, Background*, (Washington,D.C: HeritageFoundation, 1994) PP. 11-26.
12. International Crisis Group, *Iran: The Struggle for the Revolution's Soul*, ICG Middle East Report No.5.(2002) PP. 12-19

13. Kenneth, Katzman, *US-Iranian Relations: An Analytic Compendium of US Policies: Laws and Regulations*, (Washington D.C: The Atlantic Council of the United States 1999) PP.18-32.
14. "Iraq prime minister to visit Iran", *Al Jazeera*, September 9, 2006.
15. *Armed Iran*, (Institute for National Strategic Studies, National Defense University, 2005)
16. *Foreign Direct Investment*, United Nations Conference on Trade and Development, [www.unctad.org](http://www.unctad.org)
17. Burda, Wyplosz (2005): *Macroeconomics: A European Text*, Fourth Edition, Oxford University Press
18. Barry Rubin, *Paved With Good Intention: The American Experience and Iran*, (New York: Oxford University Press 1980), PP. 44-51
19. Gary Sick, *All fall Down: America's Tragic Encounter with Iran*. (New York:Random House Inc. 1985) PP. 14-62.
20. J. Anne Hart, "Spiral of Hostility; US-Iran Relations Since Revolution", *Middle East Insight*, Vol. 11, No.5(1995), PP.23-25
21. C. P, Bradley, *Recent US policy in the Persian Gulf*, (N. H. Thompson and Rutter Distributed. 1982) PP.17-25.
22. J., A., Phillip, *Containing Iran, Backgrounder*, (Washington, D.C: Heritage Foundation, 1994) PP. 11-26.
23. International Crisis Group, *Iran: The Struggle for the Revolution's Soul*, ICG Middle East Report No.5.(2002) PP. 12-19
24. Kenneth, Katzman, *US-Iranian Relations: An Analytic Compendium of US Policies: Laws and Regulations*, (Washington D.C: The Atlantic Council of the United States 1999) PP.18-32.
25. Christian Marschall, *Iran's Persian Gulf Policy: From Khomeini to Khatami*, (London: Routledge. Curzon, 2003), PP.22-39.

26. Carter, Barry E., *International Economic Sanctions: Improving the Haphazard U.S. Legal Regime*. Cambridge: Cambridge University Press, 1988. P. 4
27. Hufbauer, Gary Clyde, Jeffrey J. Schott and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*. Washington, DC: Institute for International Economics, 1990 (second edition). P. 2.
28. Gary Hufbauer, Jeffrey Schott, Kimberly Elliott, and Barbara Oegg. *Economic Sanctions Reconsidered: History and Current Policy*. Third Edition. Washington: Institute for International Economics, forthcoming 2007.
29. Askari, Hossein; Forrer, John; Teegen, Hildy; Yang, Jiawen, *U.S. Economic Sanctions: Lessons from the Iranian Experience - Statistical Data Included*, July 1, 2001 Business Economics
30. <http://www.archives.upenn.edu/histy/features/intrntnl/country/mideast.html>
31. [http://www.unc.edu/depts/diplomat/archives\\_roll/2003\\_0103/dauherty\\_shah/dauherty\\_hah.html](http://www.unc.edu/depts/diplomat/archives_roll/2003_0103/dauherty_shah/dauherty_hah.html)
32. <http://cgi.stanford.edu/group/wais/cgi-bin/index.php?p=3901>
33. <http://rescueattempt.tripod.com/id24.html>
34. [http://www.washingtonpost.com/wpdyn/content/article/2008/01/10/AR2008011000692\\_2.html?hp\\_id=topnews&sid=ST2008011001831](http://www.washingtonpost.com/wpdyn/content/article/2008/01/10/AR2008011000692_2.html?hp_id=topnews&sid=ST2008011001831)
35. [http://news.bbc.co.uk/onthisday/hi/dates/stories/july/3/newsid\\_4678000/4678707.stm](http://news.bbc.co.uk/onthisday/hi/dates/stories/july/3/newsid_4678000/4678707.stm)
36. <http://books.google.com/books?id=5bGozwD28gC&pg=PA142&lpg=PA142&dq=uss+vincennes+iran+apology&source=web&ots=NbiN1x6s0T&sig=x9teZNYssdnftGyLciLUff0F1U>
37. <http://www.youtube.com/watch?v=0NzB39sVSgs>
38. <http://www.whitehouse.gov/news/releases/2002/01/20020129-11.html>
39. [http://english.peopledaily.com.cn/200609/09/eng20060909\\_301143.html](http://english.peopledaily.com.cn/200609/09/eng20060909_301143.html)
40. <http://www.zmag.org/content/showarticle.old/itemid=8126>
41. [http://www.rawstory.com/news/2006/US\\_outsourcing\\_special\\_operations\\_intelligence\\_gathering\\_0413.html](http://www.rawstory.com/news/2006/US_outsourcing_special_operations_intelligence_gathering_0413.html)

42. <http://kucinich.house.gov/News/DocumentSingle.aspx?DocumentID=42505>
43. [http://www.newyorker.com/fact/content/articles/061127fa\\_fact](http://www.newyorker.com/fact/content/articles/061127fa_fact)
44. [http://www.medialens.org/alerts/07/0404a\\_menace\\_to.php](http://www.medialens.org/alerts/07/0404a_menace_to.php)
45. <http://www.washtimes.com/world/20060116-124019-6619r.htm>
46. [http://blogs.abcnews.com/theblotter/2007/04/abc\\_news\\_exclus.html](http://blogs.abcnews.com/theblotter/2007/04/abc_news_exclus.html)
47. <http://fpc.state.gov/documents/organization/50384.pdf>
48. <http://www.state.gov/s/ct/c14151.htm>
49. <http://www.state.gov/s/ct/rls/crt/2006/82736.htm>
50. <http://english.aljazeera.net/English/archive/archive?ArchiveId=35678>
51. <http://english.aljazeera.net/English/archive/archive?ArchiveId=15816>
52. [http://terrorism-info.org.il/malam\\_multimedia/html/final/eng/sib/4\\_04/as\\_iran.htm](http://terrorism-info.org.il/malam_multimedia/html/final/eng/sib/4_04/as_iran.htm)
53. <http://www.imf.org/external/ns/cs.aspx?id=29>
54. <http://www.heritage.org/research/features/index/countries.cfm>
55. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html>
56. *Human Development Report 2007/2008*, <http://hdr.undp.org/en/reports/global/hdr2007-2008/>
57. [http://www.economist.com/media/pdf/DEMOCRACY\\_INDEX\\_2007\\_v3.pdf](http://www.economist.com/media/pdf/DEMOCRACY_INDEX_2007_v3.pdf)
58. [http://www.economist.com/media/pdf/QUALITY\\_OF\\_LIFE.pdf](http://www.economist.com/media/pdf/QUALITY_OF_LIFE.pdf)