Sanction Success: How Sanctions Led to the Iranian Nuclear Deal

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Increasingly, leaders are quick to resort to economic sanctions to coerce favorable policy outcomes. However, sanctions tend to have a low success rate. Despite this, sanctions used by the international community against Iran in the 2000s were effective in realizing the Iranian Nuclear Deal. Sanctions against Iran are an important case study to determine what conditions lead to the successful application of sanctions. In the case of Iran, these factors were multilateral support from the international community, legitimacy through an international institution, the targeted nature of the sanctions, clearly articulated policy goals, aggressive enforcement, and factors of timing and context.

The efficacy of coercive economic sanctions has been highly debated among academics and policymakers alike. Despite their low success rate, economic sanctions are becoming increasingly popular among policymakers. The use of economic sanctions by the U.S., EU, and other independent states against Iran since 2006 is one of the few success stories. It is important to investigate what drove their success in order to continue to implement successful sanctions in the future. The use of sanctions to compel Iran to scale back its nuclear weapons program was successful because of their multilateral support, the backing of an international institution, its targeted nature, clearly articulated policy goals, aggressive enforcement, and their timing and context.

A broad multilateral coalition, legitimized through the support of the UN, was essential to the success of sanctions against Iran. International cooperation helped overcome the issue of relatively low trade flow between Iran and the U.S. and gave the sanctions legitimacy that helped to prevent backsliding (Drezner 2000, 98). This can be examined by comparing U.S. sanctions implemented against Iran first unilaterally by the U.S. in 1979 and then subsequently with broad support in 2006. Prior to sanctions in 1979, there was only minimal trade between the U.S. and Iran. For sanctions to "bite," the sender state and the target state must have high pre-sanctions trade (Van Bergeijk and Biersteker 2015, 19). If economic interdependence between the two states is relatively low, then the target state can evade the pain of sanctions by continuing or developing trade with other states. In response to these first sanctions, Iran simply strengthened trading relationships with other actors, particularly oil importers in Asia, to offset the costs of sanctions. (Maloney 2014). The ability of Iran to continue business as usual with the rest of the world undercut the effectiveness of these first sanctions.

The referral of the Iranian nuclear issue to the UN Security Council in 2006 prompted other states, who had been wary to impose sanctions, to join the U.S. Work-

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ing through the UN helped to legitimize the sanctions and prevented backsliding from other member states that might otherwise undercut the effectiveness of unilateral sanctions by "reassuring states that a cooperative equilibrium will be maintained" (Drezner 2000, 98). This meant that if states were invested in the UN as an institution, they would be more likely to consider implementing sanctions, or at least not providing a backdoor against the sanctions to Iran (Drezner 2000, 98). Over the next eight years, the EU, Canada, Japan, and South Korea also imposed oil embargoes or broader sanctions. By removing key oil importers as possible trading partners, the embargo helped to limit the extent to which Iran could offset oil sales to other third parties. Danielle Pletka, a specialist on the Middle East for the American Enterprise Institute, spoke to the significance of the EU imposing an embargo on Iranian oil, saying "when the Europeans came on board and decided not to buy, it had a huge impact and it cut by more than half Iran's ability to sell" (Berliner 2013). According to Drezner, multilateral coalitions backed by international institutions also increase the likelihood that the target state will relent, writing "target states will offer concessions to institutionalized sanctions, whereas they are more tempted to wait out ad hoc coalitions" (Drezner 2000, 98).

The multilateral sanctions were furthered strengthened by their targeted nature. In 2012, the Obama Administration further targeted the sanctions against Iran, implementing "smart sanctions" to essentially cut Iran off from the world economy. Not only were domestic companies prohibited from trading with Iran, but foreign companies were told to choose to trade either in U.S. markets, with access to payment in U.S. dollars, or with Iran (Feaver and Lorber 2015). These targeted sanctions made it both legally and reputationally risky to trade with Iran; foreign firms had to weigh losing access to the world's largest financial market or cutting off ties with Iran. Unsurprisingly, almost all chose the latter (Maloney 2014). In April of 2012, the EU followed the U.S. example of harsh, targeted sanctions by blocking Iran from the global clearing system used by banks to process financial transactions. Iran's economy was heavily dependent on the sale of natural resources; by preventing Iran from using its banks, the EU made it impossible for Iran to collect on its sales (Berliner 2013).

Another important factor in the success of sanctions against Iran was the willingness of states to enforce threats. One of the difficulties of coercive diplomacy is making threats credible; it is easy enough for the sender state to impose sanctions, but the difficulty of enforcement can nullify the effects (Art and Greenhill 2018, 84). Successful implementation of sanctions relies on a state's "political will" which can be seen by it "devoting resources to sanctions implementation, active monitoring and enforcement activities, and by a visible willingness by the senders to bear the costs of the measures (Van Bergeijk and 2015, Biersteker 25)." The U.S. Treasury Department met over 145 banks in more than 60 countries to warn them of the costs of engaging in business with Iran. The Department pursued both U.S. and foreign banks for violations of sanctions against Iran; Barclays Bank was fined \$176 million, ING Bank \$619 million, and HSBC Bank \$375 million for violating sanctions laws (Gordon 2013). The isolating effect of the sanctions coupled with strict enforcement led to economic devastation for Iran. U.S. Secretary of the Treasury, Jacob Lew, estimated in 2015 that Iran's economy shrunk 15-20% due to the strengthening of sanctions in 2012. Iran's currency, the Rial, dropped by 56% between January 2012 and January 2014, inflation reached 40% in the same period, and the unemployment rate increased to an estimated 20% (Smeets 14). The sale of oil, which was responsible for 20% of Iran's GDP, had been cut in half, costing Iran $160 billion U.S. dollars in revenue between 2012 and 2015 (Gordon 2013).

The ability of the sender to clearly articulate realistic, clear policy goals is essential to success. Even if sanctions have a strong economic impact, if the sender state asks too much or is vague about its policy goals, the target state may fail to comply. As written by Smeets, a fellow at the World Trade Organization, "the absence of clearly defined and specific objectives of many sanctions episodes [may come] with the logical consequence that sanctions often stay in place for longer than necessary" (Smeets 2018, 8). The ambiguity of goals can be confounded by a multilateral coalition; with multiple actors imposing sanctions, the primary goal can be lost, leading to target states waiting out sanctions (Van Bergeijk and Biersteker 2015, 25). The U.S. was able to overcome this ambiguity by acting as the leader of the international community. The goals of sanctions against Iran were clearly articulated; the international community was pressing the regime to end its uranium enrichment program and to block its access to nuclear-related materials (Smeets 2018, 13).

The goals also included framing the lifting of sanctions as a positive inducement for Iran to act. Iran understood that by coming to the negotiating table, economic hardship would end (Van Bergeijk and Biersteker 2015, 23). Evidence of this can be seen by shifting public opinion and the changing priorities of the Iranian Government. Although Iran is not a true democracy, Iranians do elect the supreme leader from a list of pre-approved candidates. In 2013, Hassan Rouhani ran on a strict mandate of freeing Iran from sanctions and working towards economic repair, even if it meant an end to the nuclear program. Some critics of sanctions in Iran argue that it was not the sanctions themselves that ultimately brought Iran to the negotiating table, but that regime change independently brought change. However, as Drezner argues, "The economic pressure from these sanctions contributed to Rouhani's 2013 election victory, the November 2013 interim nuclear agreement, and the July 2015 announcement of a final deal" (Drezner 2015, 759). The supreme leader, Ayatollah Ali Khamenei, a hardliner and staunch advocate of the nuclear program, ultimately agreed to Rouhani's candidacy and approved his election because of the economic devastation caused by the sanctions (Fishman 2017).

Aside from how the sanctions were crafted and enforced, it is also important to identify factors of timing and context that also contributed to their success. First, the expansion of U.S. oil and gas production was imperative to successful sanctions in Iran. Major technological advancements allowed the U.S. to access previously unattainable petroleum resources domestically and to become a significant producer of oil to offset the absence of Iranian oil in the global market. This meant the international community was able to target Iran's primary revenue stream without bearing heavy costs to their consumers and the global economy (Maloney 2014). Secondly, the election of hardliner Ayatollah Ali Khamenei in 2005 and the rigging of his 2009 re-election gave further justification for the U.S. to pressure other nations to join in with sanctions. Lastly, democracies tend to be more responsive to sanctions than autocracies (Van Bergeijk and Biersteker 2015, 24). While Iran is not quite a democracy, the ability of the public to pressure the government and elect a new regime was certainly important in Iran's response to the sanctions (Fishman 2017).

Some critics argue that sanctions were not truly successful in Iran because they led to further resentment of the West in the region, and the episode will work against U.S. foreign policy interests in the future (Macaluso 2014). Others claim that it is impossible to isolate the effect of sanctions alone and that other diplomatic measures ultimately brought Iran to the table. Some argue that Iran was never truly attached to its nuclear program, and the sanctions did not have a big impact (Smeets 2018, 14). However, it is hard to refute the reason that Iran was brought to the negotiating table and signed the Iranian Nuclear Deal was, at least, in part due to the imposition of sanctions, whether working on their own or in tandem with other means, that resulted in the U.S. realizing its policy goals.

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