

## In-Depth Report Series

# Executive Summary of the Report on The Outcomes of the proposed sanctions against Iran, and prevalent attitudes of influential and neighboring states

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Since it became a theocracy after the 1979 revolution, Iran has been the subject of a series of unilateral sanctions imposed by major powers, especially the United States. Other sanctions were imposed under three UN resolutions: 1737 in December 2006, 1747 in March 2007, and, finally, 1803 in March 2008.

Instead of these UN resolutions and sanctions preventing Iran from proceeding with its policies – which are opposed by the West – they have, rather, caused an adverse effect; they have only widened the gulf between Tehran and the states sponsoring those sanctions, especially Western states. Thus, the Iranian conviction has been strengthened that – seemingly – the only successful approach to dealing with the West is by shifting the balance of power on the ground, a goal attainable by pursuing the possession of more arms.

The correlation between fear of Iran possessing nuclear technology —let alone nuclear arms—on the one hand, and Western commitment to Israel’s security, on the other, has become an established fact that informs the foreign policy agenda of major powers. Consequently, any action that may be taken against Iran, be it unilateral or based on the decision of an international coalition, will be inherently coloured by this correlation. However, for reasons related to the current status of U.S. military power, the current international context reveals that military escalation is not a priority on Washington’s agenda. U.S. soldiers are engaged in costly wars on the two fronts of Iraq and Afghanistan. The U.S. is also currently focused internally, attempting to fix its problems at home, which have been exacerbated by the critical international financial crisis that struck at the very core of the U.S. economy, complicating both its foreign policy and its capacity to take initiatives on many unresolved issues.

All this suggests that, in the current conjuncture, imposing sanctions on Tehran seems to be the most appropriate measure for Washington. Washington insists on the need for a new package of sanctions that is harsh enough to both deter any “Iranian nuclear ambition” and that will hinder Iran from enjoying significant regional influence. This is seen as an opportunity for Washington to buy time to arrange its own agenda before embarking on harsher measures in the future. It is with this objective in mind that U.S. diplomacy, in collaboration with Europe, is seeking to galvanise a wide consensus on an anticipated new set of sanctions, in order to ensure their effectiveness and successful implementation. The U.S. policy has thus been swinging between making compromises and exercising pressure on selected countries to join Washington on this front, especially countries neighboring Iran – most important among which are Turkey and the Gulf countries – and major powers such as Russia and China.

This in-depth report attempts to survey the stances of the aforementioned states towards imposing a new set of sanctions on Iran in the light of the economic interests of these countries and the strategic visions that govern their relations with Tehran. Such interest will directly influence the means and the limits of agreeing to implement such sanctions, the level and duration of upholding them, and, ultimately, their effectiveness in achieving their set goals.

This report does not aim to predict the forms of the prospective sanctions, but, rather, to examine the political, economic, regional and other factors that the respective countries will consider during the process of identifying their favoured course of action and consequent decisions regarding the proposed sanctions. Such factors will be put into action once the sanctions are levied and will determine whether the relevant actors are likely to want to continue with and adhere to the sanctions or to find ways of getting around them, ultimately abandoning them. Furthermore, such factors will surely leave various marks indicative of the unique relations that each of these states has with Iran. It must, however, be kept in mind that,

from the Iranian perspective, these countries agreement to impose sanctions is not commensurate with their actively seeking them. Also, adhering to the sanctions imposed against Iran is not the same as making them a goal of foreign policy.

Based upon this premise, a group of researchers was commissioned to examine the attitudes of the different actors relevant to the issue of imposing a new package of sanctions against Iran, specifically actors that are either considered influential to the equation of imposing sanctions or that are neighbours of Iran. This report surveys the unique prism through which each of these actors assesses the proposed sanctions. In addition, this report provides a set of conclusions regarding the ultimate outcomes and nature of the outlined sanctions. Furthermore, based on the overall conclusions of this report, certain scenarios of possible courses of action by certain state actors are provided.

## **Sanctions vs. the Diplomatic Option**

One of the dividing elements between U.S. foreign policy under George W. Bush and European policy was disagreement on how to approach Iran. Europe has favoured a diplomatic option and direct negotiations with Iran. This is related to Europe's strategic and economic concerns, especially the issue of securing future supplies of oil, the importance of preserving peace around the regions of major producers of oil, and securing the naval routes for the shipment of oil. Any war in the region will undoubtedly cause a blockade of the Straits of Hormuz, the narrow entranceway of the Persian Gulf, and will hamper the flow of oil towards needy consumer states. Europe will surely work hard to prevent such a costly scenario from happening. No one can dismiss the importance of the oil produced in Iran or its strategic geographic location. Despite the particular difficulties of the Iranian case, Iran is considered a potential strategic path for the Nabucco Pipeline, which has been proposed as a vehicle to carry natural gas and oil to Europe. The pipeline starts at the Caspian Sea and runs across Iraq and the Middle East until it reaches Europe. In the long run, Europe cannot afford to remain at the mercy of the Russian supply of energy. This ensures that Iran is maintained, even as a distant possibility in this equation, as a relevant concern for Europe.

Since U.S. President Barack Obama has adopted the diplomatic option in his approach towards the Iranian dossier, he has opened channels of dialogue with a number of interested and influential parties. One of the first steps he has taken is to recognise that Iran is entitled to pursue nuclear technology and peaceful nuclear energy. Mr. Obama has, then, engaged in a "dual-track policy" that combines unconditional negotiations with Iran with preparations for the imposition of sanctions against it, should circumstances necessitate them.

It seems that the "dual-track policy" is leaning towards the track of imposing sanctions, as the U.S. administration is actively outlining a new set of strict sanctions. The U.S. is also keen to ensure that this move is backed by international support at every stage, in a manner whereby all relevant states will partake in all future steps on this track.

## **Russia and China**

One can be sure that negotiations over sanctions will extend to negotiating the different interests of the affected countries and to their respective uncertainties and anxieties regarding the sanctions. First, there are the major powers that are influential in relation to the situation, with Russia and China being the most important among them.

Both countries share with Iran a strategic interest in limiting U.S. influence in the international arena. Additionally, both countries share similar interests and exercise influence on several issues and regions, such as the Middle East, Central Asia and the Caucasus.

Economically, Russia profits substantially from collaborations with Iran in the nuclear domain. The value of the contract that Russia has signed with Iran for the construction of the Bushehr nuclear power plant alone is almost one billion dollars. There are also other potential nuclear projects. This is in addition to revenues accruing to the Russian treasury from other arms and trade exchange contracts.

China also has important economic interests with Iran, especially with regard to oil. Until recently, Iran has been the third largest exporter of crude oil to China, after Saudi Arabia and Angola. Iran exports 250,000 barrels of oil a day to China, which amounts to 12.5% of its oil needs. Recently, Iran lost this rank to Libya, falling into fourth place. There are many other fields of cooperation between Iran and China, in addition to an increasing trade exchange, which reached more than 36 billion dollars last year.

However, Russian and Chinese commitments to Tehran are not significant enough to become reasons for either country to sacrifice its relationship with Washington. Moscow is well-versed in negotiating and bargaining with Washington, and knows the limits of such attempts. This is why it has been predicted that Moscow is leaning towards supporting sanctions against Iran. However, Russia will take such a course without, at the same time, jeopardising its own interests.

The case is similar with China. Beijing recently developed a different outlook which has brought with it profound changes in the way China perceives itself and the world around it. Negotiations with Washington regarding the issue of sanctions are expected to extend to discussing other issues, such as Taiwan and Tibet. This is in addition to Middle East Peace, an issue in which Beijing is interested in having a bigger and more influential role. Nonetheless, what is at stake for China is not the same as that which is at stake for Russia. Russia is between a rock and a hard place, with no option other than to choose between tough alternatives, none of which is favourable. Whatever choice Russia makes, the price will be costly.

## **Turkey and the Gulf Countries**

There are a number of issues on which there is potential for cooperation between Iran and Turkey. As such, both countries are bound to be affected negatively by any sanctions imposed on Iran. Among these issues are the challenges caused by the Kurdish separatist movement within the borders of both countries, the general rise of factionalism in the region after the fall of Baghdad, and the desire of both countries to preserve regional stability for the sake of fostering economic projects – especially the ones related to the mapping of oil pipelines – which is a project that is of great interest to Ankara. Chief among these pipeline projects is the Baku–Tbilisi–Ceyhan pipeline, which runs from Baku, the capital of Azerbaijan, to Tbilisi, the Georgian capital, to Ceyhan, Turkey’s main Mediterranean port. Work has already started on this ambitious project. This is in addition to the aforementioned Nabucco Pipeline project which, as stated earlier, is attracting a great deal of European attention.

On the economic front, trade exchange between Turkey and Iran is valued at close to ten billion dollars annually. Turkish Prime Minister Recep Tayyip Erdogan hopes to increase this figure to 30 billion within the next five years. He sees Iran as being Turkey’s gateway to Asia, and Turkey as being Iran’s gateway to Europe. This is in addition to Iranian exports of gas and oil to Turkey; these exports account for 30 percent of Turkey’s energy demands.

As for the Gulf Countries, they know all too well that they will be the ones that will bear the brunt if the new set of sanctions is imposed on Iran. The sanctions will certainly have an

impact on both shores of the Persian Gulf: they will cause an increase in smuggling between the Gulf coasts, an expansion in the black market for oil, and will implicate the countries of the region in legal (and political) problems. Companies which export gasoline to Iran will be disproportionately affected. Banks and insurance companies that are engaged in insuring exports to Iran will find themselves in legal complications with the UN. Similarly, financial institutions in the region will be forced into a difficult legal situation, which may even be worse than what they faced in early 1990s when the first set of sanctions against Iran was imposed.

Furthermore, the sanctions will intensify the atmosphere of hostility in the region. There will definitely be an upsurge in fears of an escalation in tension between the Iranian Navy and U.S. troops, even without there being a decision to go to war. In fact, Iran might resort to intercepting specifically targeted commercial vessels as a reaction to its perception of unfair inspections of vessels heading to its ports. Additionally, there is an assumption that a blockade of the Straits of Hormuz will extend harm to countries outside the Gulf region. Still, the greatest harm will fall upon the Gulf countries themselves.

### **Scenarios and outcomes of possible sanctions**

The previous sets of sanctions against Iran, whether international or unilateral, have not caused Iran to alter its policies, nor have they caused Iran to divest itself of its nuclear ambitions, which it characterises as “peaceful” while the West dubs them as “suspicious”. Surely Iran could go around many of these sanctions relatively easily. There have been breaches even among the countries sponsoring those sanctions themselves, such as the U.S. and Israel; that’s without even looking at the behaviour of countries which are not sponsors.

Regarding the future set of sanctions, they will be expected to avoid the weaknesses that characterised previous relevant resolutions. This will be done through one of the following two paths:

1. The collective path through the UN Security Council. The forthcoming round of international sanctions against Iran, in accordance with Chapter VII of the UN Charter, will need the approval of nine out of the 15 members of the UN Security Council. In addition, a new resolution has to avoid being vetoed by any of the five permanent members of that Council. This process is complicated and painful and could end up being a “toothless” resolution.

2. The unilateral path. This is likely to be “Plan B” if the collective path fails. As it appears, this path will require national legislation to be passed by two main parties before it can be implemented: Europe and the United States. Unilateral sanctions are expected to be harsh and powerful, as they do not require a consensus among a group of countries with different interests with regard to the sanctions. This may, rather than solving the problem, move the conflict a step further away from resolution. Indeed, it may precipitate a violent conflict that leads to war, as levying sanctions on Iranian oil revenues might lead Iran to block the Straits of Hormuz or undertake other vengeful measures.

As long as any sanctions arising from this course of action do not articulate a unified policy, it is believed that they will be ineffective. This will be the case even if they are accompanied by a system for monitoring, and international commitment to adhere to them, especially from neighboring countries and major world powers. Some observers add yet another condition to unilateral actions. They specify the importance of subjugating “gasoline and other revenues of the oil sector” to sanctions, in order to force Iran to alter its policies. This has the potential to be devastating, as it ultimately means declaring an end to the diplomatic option.

## Conclusion

Imposing a new round of sanctions against Iran was first proposed by the U.S. and Israel. Current discussions about the issue, however, have gone beyond these two countries and have taken on an international form. However, concretising these discussions into international resolutions for imposing effective sanctions against Iran is dependent upon the following elements: the nature of the different strategies that the relevant countries will pursue – both internationally and regionally; the interests and concerns of the countries neighboring Iran; and the size and form that these sanctions will ultimately have.

### **The following are the conclusions arrived at by this study:**

1. The essential and stated objective of the proposed sanctions against Iran is to prevent Tehran from possessing nuclear arms. However, the course of action which the group of countries concerned with imposing this new package of sanctions proposes is based on a will to challenge Iran even beyond its nuclear program. The new package goes beyond Tehran's nuclear agenda to address the increasing strategic role (or threat) that Iran is playing – or might be playing – in relation to Israel.
2. The nature of the new sanctions will depend to a great extent upon the following factors: the outcomes of U.S. diplomatic efforts; the reactions they will stir up in affected countries – especially the major powers – and the compensation that the U.S. can afford to offer those countries. It must be noted, however, that the issue of Iran's nuclear ambitions has become a priority for U.S. foreign policy because it intersects with such concerns as “global nuclear security” and “Israel's security”, in addition to the long-standing allegation that Iran is “sponsoring terrorism and promoting violence” in the Middle East region.
3. The effectiveness of sanctions will require a clear and lucid policy, and a firm commitment from the relevant states to implement the future set of sanctions. An attempt to analyse U.S. foreign policy in the Middle East – which is the primary region that will bear the cost of the forthcoming sanctions – shows that the Middle East is in fact the weak spot in the diplomatic front created by the U.S., and is a constant cause of U.S. failures. At the same time, the Middle East is most certainly the most important strategic front for Iran and Iran's strategic allies.
4. One of the main goals of Washington in imposing a new round of sanctions against Iran is to prevent Iran from benefiting from the elements of time and the relative absence of a regional balancing power to Iran. Both of these advantageous elements for Iran were provided – and still are relevant – by the global economic crisis and the challenges faced by Washington in Iraq and Afghanistan. These challenges have stopped Washington from allocating appropriate resources towards and expending appropriate efforts in dealing with Tehran. Washington hopes that the new sanctions will succeed in dealing with Tehran's strategy of “buying time”, which is based on the principle of making ultimate use of the successive deadlines given to Tehran, and signing agreements which are then invalidated. Washington hopes it can come up with a counter-strategy that will hinder Tehran diplomatically and operationally, obstruct it from developing its nuclear program, contain its economic and military capabilities, and strip it of its ability to take initiatives and to maintain a regional influence.
5. Russia is not concerned with any form of sanctions which is not directly related to preventing Iran from possessing a nuclear arsenal. Any sanctions that divert from this perceived objective will be subject to bargains with Russia, and will have to have no effect on its interests or strategies. In any case, the Russian perception of the nature of the new round

of sanctions against Iran does not correspond to that of the U.S., especially when bearing in mind the different outcomes of the proposed sanctions sought by each party. In the meantime, based on its economic interests, Russia will push for the continuation of a peaceful Iranian nuclear programme. If need be, the concerns and strategic interests of Russia might cause a delay or halt such cooperation with Iran. The ongoing negotiations between Washington and Moscow will surely determine the final course of action that will be embarked on by Moscow. Nevertheless, this does not necessarily mean that cooperation between Tehran and Moscow in other sectors – which fall beyond the scope of the sanctions – will come to a halt. Tehran understands that the interests of Moscow are subject to complicated calculations that inform its decisions. This will, practically, mean that the sanctions will be a limitation on Russian-Iranian cooperation but will not be a barrier that separates the two.

6. China is anxious to reduce the number of countries that possess nuclear arms in the world, and to preventing a nuclear arms race in the Middle East. At the same time, Beijing is not fully convinced by the image that the U.S. administration and Israel are promoting regarding Iran's nuclear advancement. This is why Beijing is not enthusiastic about imposing a new set of sanctions against Iran, and will, in fact, attempt to blunt the sanctions as they surely will affect its economic and other vital interests, especially regarding its access to oil. The Chinese also want to use this card to force the U.S. to sit at the negotiation table with them face-to-face, a matter Beijing hopes will pave the path for further understanding on bigger issues and for the U.S. to start to take the regional and international interests of China into consideration in the future. Thus, Beijing will attempt to reduce the harshness of the sanctions. However, bearing in mind what is at stake in its relationship with Washington, China will ultimately deal with the Iranian issue and other issues related to it as bargaining chips to be played to its own best interest with Washington.

7. Europe generally prefers any form of tough sanctions on Iran more than any possible military action against Iran. Based on this perspective, and seeing the effects of Iranian tenacity and how it affects Europe, Europe is expected to join the sanctions, even if they are issued unilaterally by the U.S. Europe's security concerns correspond to those of Washington, whether in terms of dealing with "global nuclear security", "Israel's security", Iran's relation with "terrorism", the Middle East conflict, or Iranian attempts to exercise "regional hegemony". In addition, there are also the threats to Europe's own security as Iranian nuclear and missile developments will put Europe within range of the Iranian military machine sooner rather than later, as some European estimates previously predicted.

8. Turkey objects in principle to a new package of sanctions against Iran and seeks to obstruct it. However, Chinese and Russian approval of the expected new set of sanctions will leave Ankara as the last bastion of opposition, a matter that is expected neither to last for long nor to be fully implemented when other countries choose otherwise. Still, Turkey is expected to be the country that is most opposed to the sanctions due to the strong economic ties between Tehran and Ankara, along with the interdependence between the two countries when it comes to issues of national security; what happens in Iran and the regions closest to it will certainly affect Turkey due to the geographic proximity. The policy designed by Turkey's governing Justice and Development party is not yet an established vision of Turkey's foreign policy, and is still an ongoing project. Even if the current government leads by proposed policies, any change to the government will surely affect Turkey's position towards Iran. This is why a concern about the unpredictability of the Turkish government's likely position is a valid one. Nevertheless, even if such changes do take place they will not go as far as to cause Turkey to encourage the sanctions or to push for a tough implementation of such sanctions. What is expected of Turkey is adherence to the minimum requirements of any international resolution imposing sanctions, no more.

9. The Gulf countries will not encourage sanctions on Iran. However, they will adhere to them immediately, because they are all concerned about preventing a war from happening in the region and are motivated to avoid its painful costs, and also because of the rise of regional suspicion towards Iran. As for what will happen if the sanctions are imposed unilaterally by Washington or its European allies, it is not certain that the Gulf countries will all equally – or seriously – adhere to them, as in this case the sanctions will be perceived as a sign of open hostility.

10. The inability of Iran and its Arab neighbours in general, and the Gulf countries in particular, to establish stable regional relations, despite all the ties that join them, has caused the region to be perceived as suffering from a “power vacuum”, a state which surely invites a Western-Iranian conflict. This condition has also made the Arab countries unable to take the initiative to drive the ghosts of the sanctions out of the region, a region for whose security and stability they should be concerned of more than any other actor.

11. Even before the initiation of any new sanctions, there is already widespread suspicion regarding the ability of the expected sanctions to accomplish their goals. This suspicion is present even in some influential circles in Washington. This strongly demonstrates that sanctions are not an end, but rather a component of a wider current U.S. foreign policy in the making, one which includes military action either as its end or as a middle stage.

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