

THE LIMITS OF SANCTIONS AND SANCTIONS RELIEF

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As a sanctions practitioner, it is hard not to be amused at the nature of the debate surrounding sanctions as a tool as relates to the Joint Comprehensive Plan of Action (JCPOA). In particular, I have been entertained by the direct and inverse relationship between an analyst's opinions of whether sanctions were instrumental in creating the conditions in which the JCPOA could be negotiated and whether they are an undeniable impediment now to the full implementation of the JCPOA. It seems that, for many sanctions advocates, the tool was essential to achieving the deal but residual measures are insubstantial. And, for sanctions opponents, the tool was irrelevant to the conclusion of a nuclear deal but now represent a clear obstacle to its full performance because of the negative impact they have on Iran's economy and political stability.

As with many issues, the truth lies somewhere in between and coming to this realization has significance both for how sanctions ought to be handled with Iran going forward and in managing other global problems.

First, sanctions were neither wholly responsible for Iran's economic problems prior to the JCPOA nor are they wholly responsible for them now. Sanctions capitalized on the systemic failings of the Iranian economy and political institutions. They would not have worked nearly as well were it not for the pervasive presence of the Islamic Revolutionary Guard Corps (IRGC) in the economy, political manipulation of

core economic functions, corruption, and a reliance on a single commodity (oil) for the vast majority of the country's export earnings. These same root factors are the reason why, especially in an environment of low oil prices, Iran's economic resurgence has been delayed. Residual sanctions, particularly those affecting banks, have contributed to this delay, but would probably be much more manageable for international firms if doing business in Iran was more profitable, easier, and less risky altogether.

Second, the stickiness of sanctions has probably exceeded most expectations. In multiple congressional testimonies, I suggested that residual sanctions and Iran's own economic problems would delay its reopening, probably for a couple of years. This has proven largely correct thus far. But, Iran's own leaders and many outside observers failed to appreciate fully both the nature of what sanctions remain and the caution that would really greet Iran's return to the global stage. The consequence was hyperventilation prior to the JCPOA's implementation about Iranian economic resilience (on the one hand) and overhyped expectations of how swiftly Iran's people could reap the benefits of the JCPOA.

But, far from being harmless misunderstandings, both exaggerations have complicated the political environments in Washington and Tehran. Many people still believe Iran has \$150 billion to dump into Hezbollah's lap with much more to come and this tainted efforts to secure support

behind the deal. It also complicates good-faith steps by the United States to improve implementation now through modest adjustments of remaining sanctions. This is doubly unfortunate because, for Iran, the stakes have gotten much higher, and Iran's leaders now risk looking like chumps for agreeing to the JCPOA in the first place. In both capitals, more reasoned and judicious analysis would have prevented inflated expectations and created a better atmosphere for the deal today.

Third, and related, we have learned much about the experience of applying sanctions and taking them off as part of a political agreement. Unlike the nuclear concessions Iran has made (in which the United States and its partners gained immediate security benefits), Iran was always going to be in a position where its economic benefits would be delayed and more subject to international markets that are outside the control of any one country. The same would be true for any other situation in which sanctions relief forms a core element of a negotiated agreement. This is an experience we should recall when, in the future, negotiations take place involving sanctions relief.

In my (probably biased) view, the imposition of sanctions against Iran was one of the most critical steps in ensuring a diplomatic outcome to the Iran nuclear crisis. Their removal was also essential to the implementation of the deal that resulted. But, humility on all sides as to the impact of sanctions, their limitations, and their lingering legacy is merited so that—looking forward to future crises—we can appropriately sculpt the role of sanctions and our view of how their eventual removal will translate in practice.

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