

Economic Warfare against Iran

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Iran is probably the most sanctioned country in history, at a time when sanctions are the main instruments to wage economic war, seen as an alternative to a bloody and expensive military one¹ and as a signal of concern about a country's possible threat: hence, the more sanctions, the higher the threat. Sanctions targeting Iran as a nuclear and terrorist threat have escalated over time, engaging a wider range of countries and directed at an increasingly broader range of Iranian sectors². There is in fact an inherently escalatory logic in imposing sanctions against Iran: even if they often have failed to achieve their intended objectives, the US and international instinctive response has been to expand or enhance other sanctions anyway.

The rich bibliography after the Iranian Nuclear Deal or JCPOA Agreement (14 July 2015)³ has focused mainly on all the legal and economic aspects of the US and multinational imposition of sanctions, as well as on the *snapback* mechanism for re-imposing them if Iran does not comply with its obligations⁴. However, the Iranian economy is closely connected with political and security considerations due to Iran's strategic geographical position, its rich energy sector and the

¹ Andrew W. Terrill, «Can Sanctions Be More Effective Than Military Action in Iran?», Op-Ed Strategic Studies Institute, Dec.7, 2012.

² Jonathan Leslie, Reza Marashi, Trita Parsi, *Losing Billions. The Cost of Iran Sanctions to the US Economy*, NIAC, July 2014, p. 5.

³ <https://www.state.gov/documents/organization/245317.pdf>

⁴ Kenneth Katzman, *Iran Sanctions*, Congressional Research Report, May 18, 2016; Gary Samore (ed.), *Sanctions Against Iran: A Guide to Targets, Terms, and Timetable*, Harvard Kennedy School, June 2015; Clara Portela, *The EU's Use of 'Targeted Sanctions'.* *Evaluating Effectiveness*, CEPS Working Document No.391, March, 2014.

preeminent role of its armed and paramilitary forces, which since the Iranian Revolution (1979) have operated also economically on behalf of national interests and of the country's regional power ambitions.

The aim of this article is to analyze the economic warfare against Iran and its impact on military and security fields, as well on its foreign policy. It will focus exclusively on these sectors, both in Iran and in the United States, the latter being the nation which has most contributed to the sanctions, so much so that they have become the main instrument of the Western world's unilateral economic warfare against Iran, as well as an increasingly integral element of US security strategy and, according to some observers, a robust tool of its geoeconomics⁵.

The use of economic interventions⁶ as a military and strategical instrument to ensure US national security was conceived for the first time⁷ by the Joint Chiefs of Staff in 1984. Since then, however, sanctions have become not only strategic tools for American security but compelling ones also for its allies, used to stigmatize and deter enemies' undesirable behaviors. Today, sanctions are considered instruments for a «*compellence* and denial economy»⁸: they are intended both to damage a number of actors to the point that the target

⁵ Robert D. Blackwill, Jennifer M. Harris, *War by Other Means. Geoeconomics and Statecraft*, The Belknap Press of Harvard U. P., 2016, p. 200.

⁶ Department of Defense, *Dictionary of Military and Associated Terms*, JCS Publ, Washington DC GPO, 1984; Michael L. Brown, «The Economic Dimensions of Strategy», *Parameters*, Vol. XVI, n.2, 1986, pp. 36-44.

⁷ In 1944 the Cordell Hull's Declaration mentioned for the first time the link between economics (free trade) and international goals (ensuring peace); Douglas A. Irwin, *Trade Liberalization: Cordell Hull and the Case for Optimism*, Council of Foreign Relations, July 31, 2008. The only remarkable precedent was the Embargo Act of 1807 against Great Britain and France; Jeffrey Frankel, «The 1807-1809 Embargo of Britain», *Journal of Economic History*, 1982, n.2, pp. 291-308.

⁸ Elisabeth Rosenberg, Zachary K. Goldman, Daniel W. Drezner, Julia Solomon-Straus, *The New Tools of Economic Warfare*, Center for a New American Security, 2016, p. 6.

(State) will reconsider the costs and benefits of its policies and activities, and to deny the opponent (State or terrorist organizations) the capability to become strong and command international support. Thus, for all intents and purposes they are a way to wage war on the enemy's economy and encourage one's own allies to do the same. And, as is the case for all wars, the most debated questions concern its costs and, especially, who is the real winner.

The birth of a strong national identity

Although sanctions against Iran have been applied mostly since the 1990s (the so-called *sanctions decade*), their history starts much earlier, at the dawn of our current geo-economy when Persia, though an imperial power, had no deeply-felt national identity, but was gradually becoming appealing to modern mercantile powers owing to its geographical position.

Relations with Persia became increasingly strategic in what was termed the *Eastern Question*, when the Treaty of Karlowitz (1699) ended the war between the Ottoman Empire and the European Alliance, thus making clear the military superiority of the Western world: the treaty marked the beginning of the encroachment on these lands and the nearby region. After the Napoleonic wars, the *Eastern Question* gave way to *the Great Game*, and saw further partitions of the Middle East through the conquest of the Ottoman territories by France, Great Britain and Russia. Through a century of territorial incursions, concepts such as *intervention* and *control* became current, as would, during the Cold War, the keywords of *containment* (of the Soviet Union, as well of the Iranian Islamic revolution), and soon afterwards the *nonproliferation* of nuclear arms and the WMD developed by Iraq and Iran. All these concepts rose to dominant position and still govern the power games in the region. Meanwhile, others were added, such as *assuring oil*, *protecting the*

security of Israel, and *preserving the status quo*⁹, represented by the anti-Iran and pro-US Saudi conservative governments. All have constituted the backbone of the sanctions against the Iranian regional ambitions and the deployment of its nuclear installations.

In official declarations Tehran no longer exports the Islamic revolution, «because promoting it succeeded only in producing resistance to Iran in the region»¹⁰; but it fights for the Shiite community's security, as the wars in Syria-Iraq and Yemen and its support to riots in Bahrein after 2011 have made clear. It aims to demonstrate that a political Islam is feasible: a fundamental prerogative for a nation with regional power ambitions and a strong influence over the entire *Umma*. This is because Iran is now a united country with a strong national identity¹¹ forged by all the events that have occurred since its 1979 Revolution. The same cannot be said for the rest of the Middle Eastern region, especially for the Sunni sheikdoms, with the exception of Israel, not by chance Iran's main antagonist. Sanctions, contrary to their supporters' wishes, have had a strategic role in the construction of a strong Iranian national identity, absent until then.

Until its first Constitution in 1906, the Qajar dynasty governed Persia through a systematic manipulation of regional, tribal, ethnic and religious divisions. Military defeats by Russia (1804-1813, 1826-1828) and Great Britain (1856-1857) transformed the country into a buffer state and sometimes in a disputed territory by these two powers. In each postwar treaty, Russia and Great Britain included commercial, banking

⁹ During a five-hour meeting on the *USS Quincy* in Egyptian waters (Feb. 14, 1945), President F.D. Roosevelt and King Abd al-Aziz Saud bound the destinies of their two countries and shaped the course of events in the Middle East for decades to come. Thomas W. Lippman, «The Day FDR met Saudi Arabia's Ibn Saud», *The Link*, vol.38, n.2, Apr-May 2005; Hooshang Amirahmadi (Ed), *The United States and the Middle East. A Search for New Perspectives*, State University of New York Press, 1993, p. 11.

¹⁰ Kenneth Katzman, *Iran's Foreign Policy*, CRS Report, June 27, 2016.

¹¹ With the only exception of its peripheral Kurd, Turkmen and Baluchi regions.

and diplomatic concessions (*capitulations*) to external countries, exploiting Persia's lack of national unity. With the first globalization due to the opening of the Suez Canal (1869), the construction of Russian railways in Caucasus and Central Asia (1874-1888), and the discovery of rich oilfields in Azerbaijan (1880s), Persia came out of its economic isolation¹² and the perception of the strategic role of its geographical position and oil reserves became a constant in its politics.

After a bloody civil war (1905, due also to a heavy indebtedness to Russia and Great Britain) and the adoption of the first written and «democratic» Constitution (1906) the Anglo-Russian Agreement (1907) was signed, giving their support to the monarchy in suppressing the revolt. The Agreement partitioned Persia in three portions: the North to Russia, the South to Great Britain and the rest as a «neutral zone». Moscow and London have inevitably influenced Persian politics ever since, hence the belief in continuing foreign conspiracies and the paranoid style that still characterizes Iranian politics today.

Many external factors have thus contributed to forging and strengthening the Iranian national identity since the last century. This has in turn become the lever on which Tehran rests and is able to counteract sanctions, seen as powerful tools to advance US interests in the region, with related counterproductive leverage effects that have proved as so many blowbacks for Washington. With the *nuclear deal* Iran seemed to have embraced a logic of collaboration. But its engagement in the Syria-Iraq and Yemen wars, as well as recent tensions in the Strait of Hormuz, have proved the US and Western *conengagement attitude* (containment and engagement) towards Tehran illusory, and the sanctions virtually ineffective as a *political* leverage to ensure an extensive regional and global security. In this way, no less than for the Israeli and the Saudis and, before them, the Russian and the British, Iran has returned to be at the heart of the American obsession about the Middle East, i.e. *security*.

¹² Ervand Abrahamian, *A History of Modern Iran*, Cambridge U. P., 2008.

International sanctions have been a response to that obsession, just like now they are a response to the strong Iranian national identity. Sanctions have had and still have the task of demolishing it.

State, oil and the Iranian Islamic Revolution. At the origins of the sanctions.

Iran's strong national identity is not the result of a drawing of boundaries set by foreign powers, but of a State-and-citizenship building in which oil wealth as well as the awareness of the country's geo-strategic position have played a dominant role. The risk of the nationalization of the oil extraction industry, as it occurred with the coup of Mohammad Mossadegh (1951)¹³, and the subsequent loss of control by foreign powers led the USA and Great Britain to further interfere in Iranian politics. In 1953, the *Operation Ajax* (TPAJAX)¹⁴ by CIA and British SIS brought the Shah back to power, and foreign control over national oil, serving also as a warning to other oil-rich countries not to proceed in that direction.

For over twenty years, Pahlavi's monarchy led to a strengthening of the State on such classical pillars as a strong control over the economy (through foundations), bureaucracy, great military expenses, intelligence and security police (*Savak*). The Shah also showed a great interest in nuclear installations (20 by 1994), constructed with German, French and US aid¹⁵. He invested in nuclear technical training, foreign enrichment

¹³ Ebrahim Norouzi, *Mossadegh, Islam and Ayatollah. The story behind the fall of democracy, rise of fundamentalism in Iran*, www.mohammadmossadegh.com.

¹⁴ *CIA Confirms Role in 1953 Iran Coup*, National Security Archive Electronic Briefing Book No. 435.

¹⁵ Joint Economic Committee Congress of the United States, *Economic Consequences of Revolution in Iran*, Washington Nov. 19, 1979, p. 80.

plants and uranium mines¹⁶: an interest in civil nuclear power that is much earlier than that of the *Ayatollahs*, against whom sanctions have been imposed as tools against WMD proliferation.

In the mid-1970s, however, the expectations of a trickle-down economics failed, and serious social tensions exploded. A complex combination of nationalism, economic populism and, above all, religious radicalism took root. The breaking of the bond between the Iranian State and its society allowed the creation of groups (*fedayyin* and *mujaheddin*) tied to influential extreme religious fringes, many of whose leaders were in exile, such as Ali Shariati and Ruhollah Khomeini. In Shariati's Marxist approach¹⁷, Shiism was a dynamic society in permanent struggle against every form of oppression; as a consequence, (Shiite) Islam ceased to be a religion (*din*) and faith (*mazhab*), and became an ideology (*idology*)¹⁸ upon which a concrete political Islam could be founded, based on the temporal power of religious leaders and a compromise between ethnic and religious minorities. This was a feasible model of political Islam, the same that is still today the fear of all (Sunni) sheikdoms in the Arabian peninsula, the epitome of anti-political Islam. In 1979, with these ideological premises came the *Ayatollahs'* revolution. Iran became a Republic and changed its 1906 Constitution; above all, it introduced Islam in every aspects of its life.

Meanwhile, by the mid-1960s, faced with the ongoing progressive changes in the Arab world led by Egypt (Gamal al-Nasser's *panarabism*) and Syria (Hafiz al-Asad's *Ba'athism*), as well as by the

¹⁶ Jordan d'Amato, *US Strategic Competition with Iran: Energy, Economics, Sanctions, and the Nuclear Issue*, Center for Strategic & International Studies, March 11, 2011, p. 7.

¹⁷ Ali Shariati, *Religion vs Religion*, Kazi Publications, 1993; Ali Rahnama, *An Islamic Utopian. A Political Biography of Ali Shariati*, I.B. Tauris, 2013.

¹⁸ Traditional terms such as *jihad* came to mean «struggle for liberation», and *mujahideen*, a «revolutionary fighter».

Iranian Revolution in the Persian Gulf - all with the consent or even the support of the USSR – the USA started emphasizing its relations with Israel; as a consequence, the Arab-Israeli conflict was transformed into a series of *proxy wars* for the Superpowers' antagonism. Nixon's Administration was concerned above all to stop the Soviet Union from making advances in the Middle East at its own expense. In US opinion, the sympathetic sharing of Marxist ideals by the *Ayatollahs* went in that direction, and Washington hoped to build a system of Superpower *détente* that would restrict Moscow to a manageable role. Eventually, US political interests in the region developed along two fronts: an *offensive protection* concerned about Israel's security, and a *defensive containment* against the risk of Soviet expansionism, carried out through both overt economic actions (e.g., the dollar's hegemony in oil market), and covert operations, with consequent huge investments in defense and security sectors by Middle Eastern countries, thus perpetuating their dependency on Washington¹⁹.

The basic question that ended up undermining this strategy was that the US approach to the entire area was global, without adequate attention to local destabilizing factors²⁰. This led to the long-drawn-out and awkward management of the US embassy's hostage crisis (1979), to the first bloody terrorist attack against US Marines in Lebanon (1983), and to all the other consequences of US miscalculations in military strategy and political alliances since 1990. It is a dimension often referred to by Middle Eastern analysts as *the situation on the ground*, for which US Middle Eastern policy seems to be made always by *default* rather than by long-term thinking²¹. In this way, the *Ayatollahs'*

¹⁹ James A. Bill, *The Eagle and the Lion. The Tragedy of American-Iranian Relations*, Yale U. P., 1989.

²⁰ Stephen E. Ambros, *Rise to Globalism. American Foreign Policy since 1938*, Penguin, 2010.

²¹ Richard B. Parker, *Middle East Studies and U.S. Foreign Policy*, in Hooshang Amirahmadi (Ed), *op. cit.*, p. 311-322.

revolution proved to be for Washington like a blowback of the coup d'état of 1953: it was not the only consequence, though, because subsequent sanctions were also imposed on the basis of a weak and incomplete knowledge of those realities.

US economic warfare against Iran as national security strategy

As a result of the hostage crisis, Executive Orders (EO) were issued by the Carter Administration (12170, 12205, 12211) to freeze Iranian assets in the USA as an attempt to exert economic pressure. Their ineffectiveness, however, led Washington to act militarily. According to the Carter Doctrine, (January 1980) any outside attempt to gain control over the Persian Gulf by force would be regarded like an assault on US vital interests and be repelled by any necessary means, including military force. Thus followed the unsuccessful *Operation Eagle Claw* for the hostages' liberation (April 1980), which can be considered the first military contact of the United States with militant Islam²². US security in the Middle Eastern region soon became an imperative. The Reagan Administration was forced to rethink US policy toward Iran, as it turned out that Washington had for decades mistakenly considered the Shah as the main surrogate in the US security system in the area.

The events that followed (notably the long war against Iraq (1980-1988)) led Iran to equip itself with a national security policy built upon firm pillars. To protect itself from foreign interferences and attacks, and in order to exert influence in all sectors in line with its ambitions to be a great regional power and a major player in world politics, Iran increased its missile capacities, such as WMD, strengthened institutions such as the *Islamic Revolutionary Guards*

²² Mark Bowden, *Guests of Ayatollah: The First Battle of America's War with Militant Islam*, Grove Press, 2006; Con Coughlin, *Khomeini's Ghost: The Iranian Revolution and the Rise of Militant Islam*, Ecco Harper Collins Pub., 2010.

Corp, IRGC (*pāsdārān*), al-Quds²³ and Hezbollah asymmetric forces trained by IRGC, while developing its nuclear and missile capabilities. All these elements came to be central in the US-led international economic warfare as its motivations and targets: containing Iranian influence and creating a global consensus against its ambiguous nuclear intentions became the undeniable prerogative of US and allies' security policy, with the support of UN institutions. Since then, Iranian economic, military and security policies have been inextricably linked to a huge amount of sanctions.

Khomeini initially opposed the Iranian engagement in nuclear power, so that its development seemed to be largely halted from 1979 to 1984; however, Saddam Hussein's use of chemical weapons and reports on his nuclear arms program led to its resumption. It agreed with the patriotic spirit, the greater pride in the Islamic Republic and its national identity as perceived by the Iranian people and forged by the war emergencies. According to Khomeini, it was the only way to make the Islamic Revolution secure against its enemies, USA and Israel, considered as the main supporters of the Iraqi regime. Meanwhile, the suicide attack in Beirut by Iran-sponsored Hezbollah (1983), caused President Reagan to define Iran as a «State sponsor of terrorism»: his EO12613 (1987) banned US financial assistance and imposed the embargo on dual use items, among other provisions; it was the first financial interdiction against Iran because of its support and use of terrorism. On the other hand, the Iran-Contra affair later revealed other aspects of Washington and Tehran's dangerous liaisons²⁴.

It was only in '90s, however, that USA vs Iran economic competition began. Tools were mostly embargoes, financial restrictions or sanctions,

²³ Al-Quds are the IRGC's Special Forces responsible for their extraterritorial operations. They are now employed in Iraq and Syria: Ali Alfoneh, «What Is Iran Doing in Syria?», *Foreign Policy*, 29 July 2013.

²⁴ Peter Kornbluh, *The Iran-Contra Scandals. The National Security Archive Document*, The New Public Press, 1993.

designed to impede Iran's access to global banking activities and to capital markets, thereby undercutting its ability to conduct transactions with regional allies. They were also deterrents to persuade foreign investors not to make business with Iran, or they could no longer access the US capital market. The involvement of UN institutions ensured their legality, supported by an international consensus that the United States would increasingly seek in the following years.

The US conviction of direct links between Iran and the Abdul Qadeer Khan's network («father of Pakistani nuclear bomb»)²⁵ as a WMD supply and of the «production possibilities, afforded by global economic integration and interdependence»²⁶, led Washington to launch counter-proliferation measures such as the *Iran-Iraq Arms Non-Proliferation Act* (1992)²⁷, the *Defense Counter-proliferation Initiative* (CPI,1993), EOs 12938 (1994)²⁸, 12957 and 12959 (1995)²⁹, 13059 (1997)³⁰ and the *Iran and Libya Sanctions Act* (1996)³¹. In this way,

²⁵ US Government, US Military, DoD, *Effectiveness of United States-Led Economic Sanctions as Counter-proliferation Tool Against Iran's Nuclear Weapons Program*, Progressive Management, 2016; Molly MacCalman, «A. Q. Khan Nuclear Smuggling Network», *Journal of Strategic Security*, vol.9, n.1, 2016, pp.104-118.

²⁶ James A. Russel, Jones J. Wirtz, *Globalization and WMD Proliferation: Terrorism, Transnational Networks and International Security*, Rutledge, 2008, p.4.

²⁷ Focused on stopping dual-use items with military application, it imposed sanctions on any entity that helped Iran develop or acquire WMD.

²⁸ It imposed export controls on sensitive WMD technology.

²⁹ EO12957 banned any US firm or individual from investing in or developing Iranian petroleum products, with the exception of natural gas; EO12959 banned all American trade and investment in Iran. Richard Sabatini, *Economic Sanctions: Pressuring Iran's Nuclear Program*, Monterey IIS, Nuclear Threat Initiative, June 24, 2010.

³⁰ EO13059 prohibited most US trade with Iran by any US citizen.

³¹ It enhanced existing legislation and executive orders by sanctioning foreign firms that conducted business with Iran, focusing on its export of oil and gas.

economic and financial sanctions became to all effects a globalized counter-proliferation measure of WMD, whether missiles, chemical or nuclear weapons.

With the US *Patriot Act*, the definition of *Axis of Evil* and the neocons' *full spectrum dominance* after 9/11 terrorist attacks, economic warfare but even preemptive militarization took a pre-eminent role in the US national security and foreign policy strategy, and the US counter-proliferation efforts would be overshadowed by the long war against terrorism. As part of this new global security strategy, the George W. Bush Administration deployed financial interdictions (EO13224, 2001) and inaugurated a new brand of economic warfare «against rogue regimes, terrorist groups and criminal syndicates»³²; Iran was the main target of a war that could not be fought on a battlefield. In fact, economic interdiction tools, far from being the first choice, were the *only* choice left to counter illicit nuclear behaviors. The United States, however, soon discovered that the use of financial interdiction policies to achieve strategic ends is by no means cheap, as national security never is.

Economic warfare between nuclear threat and human rights

To the economic warfare begun by the US in the 1980s Iran replied with a multiple track strategy, turning sanctions to the country's own advantage by strengthening its indigenous production capabilities and its sovereignty, both conventionally and non-conventionally: conventionally, by building up long-range missile capabilities to compensate for its weak and outdated³³ air force and to project power in the Middle East; non-conventionally, by using its ties to non-state actors

³² Juan C. Zarate, *Treasury War. The Unleashing of a New Era of Financial Warfare*, Public Affairs, 2013; Id., «The Coming Financial Wars», *Parameters* 43(4), Winter 2013-14, p.92.

³³ In order to maintain the operation of its increasingly antiquated conventional weapons, Iran resorted to smuggling in spare parts.

(Hezbollah and Palestinian Islamic Jihad) as potential threats and by increasing their ability to conduct asymmetric warfare. By diplomatic means, Iran tried to break out of isolation by strengthening its ties with North Korea, Syria and Venezuela, and with countries with international influence but minimalist interest in political interventions, like Russia and China; above all, its tactics was to «*negotiate, delay, and move forward*»³⁴ with its own nuclear program. The aim was to send discordant signals in order to confuse the international community about the real Iranian intentions and, even more, to exploit divisions within the UN Security Council among USA, Russia and China.

The absolute protagonist of this strategy was President Mahmoud Ahmadinejad (2005-2013), with the remarkable support of IRGC and Basij³⁵, organized by Khomeini in the aftermath of the Revolution, because «he did not trust Iran's military, and needed his own force»³⁶. They have acted, and still act, on behalf of the ruling party, infiltrating a huge range of economic sectors and bridging their own financial resources gap in the defense sector. In this way, they originated in Iran a strong *milbus*³⁷, that is, the military involvement in business and economy. The departure of foreign investors after the imposition of the sanctions helped to empower and increase the wealth of the IRGC establishment, so that now it is a big corporation, a «business conglomerate with guns»³⁸.

³⁴ Jordan d'Amato, *op.cit.*, p. 12.

³⁵ IRGC's paramilitary branch charged to organize popular consensus around the Government's decisions; Saeid Golkar, «Paramilitarization of the Economy: The Case of Iran's Basij Militia», *Armed Forces & Society*, Apr. 9, 2012, p. 631.

³⁶ Ray Takeyh, «Iran's Revolutionary Guards Are Shaping the Future of the Middle East», *Defense One*, on line edition, June 17, 2016.

³⁷ Ayesha Siddiqa-Agha, *Military Inc.: Inside Pakistan's Military Economy*, Pluto Press, 2007.

³⁸ Ali Ansari in Julian Borger, Robert Tait, «The financial power of Revolutionary Guards», *The Guardian*, Feb.15, 2010.

IRGC and Basij's strong power in *milbus* began with President Rafsanjani's policy of privatizations (1990s)³⁹ in order to overcome economic stagnation and the negative effects of the sanctions: the institution of *bonyads'* (charitable foundations controlled by the clergy but now *militarized*) and the lucrative no-bid contracts to security forces made them more involved in business transactions and in non-military sectors, and generated independent income. In order to sustain the IRGC and Basij's role in suppressing the student movement uprising in 1999, and to offset the risks for national security after the US interventions in Afghanistan and Iraq (2001 and 2003), greater economic power was given to them: today there is no Iranian (whether licit or illicit) economic, financial and commercial sector that is not handled by IRGC and Basij⁴⁰. Even taking into account the risks of disconnection between the Iranian masses and its ruling class, and the emergence of a «capitalist cronyism»⁴¹ as a result of the economic power being handled by a new elite of oligarchs formed by military officers⁴², the Iranian national unity is holding firm.

The regime's rhetoric has always resorted to the narrative of an international conspiracy against the survival of Iran. And sanctions are its main tools. In fact, they had such a strong impact on the Iranian people's well-being (e.g. causing drug shortage) that Tehran, as an ethical counterargument and to erode multilateral cooperation, was able to denounce them as illegitimate for humanitarian reasons. In addition,

³⁹ Suzanne Maloney, *Iran's Political Economy Since the Revolution*, Cambridge U. P., 2015, cap. 5, *The Reconstruction Jihad, 1989-1997*.

⁴⁰ Frederic Wehrey, Jerrold D. Green, Brian Nichiporuk, Alireza Nader, Lydia Hansell, Rasool Nafisi, S. R. Bohandy, *The Rise of Pasdaran. Assessing the Domestic Roles of Iran's Islamic Revolutionary Guards Corps*, RAND, 2009, Chapter 5.

⁴¹ Ali Alfoneh, «The Revolutionary Guards's Looting of Iran's Economy», *Middle Eastern Look*, n. 3, 2010.

⁴² Kaveh Ehsani, «Survival through Dispossession: Privatization of Public Goods in the Islamic Republic», *Middle East Report*, vol.39, 2009.

the sanctions increased illicit trafficking and black market activities, especially in the energy sector (*oil-mafia*)⁴³. Meanwhile, the nuclear program proceeded, slowly but inexorably, according to the Government's programs.

The US and its allies were obliged to drastically change their economic warfare: no more indiscriminate sanctions on Iranian people (similar to the embargo against Iraq in '90s), but a *bottom-up strategy* with *targeted* or *smart* sanctions towards Iranian commercial organizations, entities or even individuals who hold the real economic power. In this way, according to EO 13382 (2005), the US Department of State added the IRGC and Basij to the blacklist of organizations guilty of proliferation activities and terrorism (2007)⁴⁴: for the first time, a foreign country's institution, with the international support, sanctioned "enemy" Armed Forces.

During the Obama Administration, US and Iranian economic warfare escalated. Targets of EOs (13553, 13572, 2011; 13606, 2012, still in force notwithstanding the agreements of 2015) were political and military milieus charged to be «perpetrators of human rights abuses» in Iran and Syria. However, soon another record was set. According to *Patriot Act, Section 311*, in 2011 Iran's Central Bank and the entire Iranian financial sector were held to be responsible of money laundering and of posing a danger to the global system. As a result, 9700 Iranian *rogue* banks worldwide were disconnected by the SWIFT system⁴⁵, and their U-Turn transactions blocked. Further crackdowns were imposed in

⁴³ Nader Habibi, *Can Rouhani Revitalize Iran's Oil and Gas Industry?*, Middle East Brief n.80, Brandeis University, June 2014.

⁴⁴<https://2001-2009.state.gov/r/pa/prs/ps/2007/oct/94193.htm>

⁴⁵ SWIFT is the telematic platform used by most world's banking institutions for the exchange of financial data; an interesting synthesis on the controversial effects of this measure is offered by Mark Dubowitz, Annie Fixler, *'SWIFT' Warfare. Power, Blowback, and Hardening American Defenses*, FDD Press, July 2015, especially part 2, where the authors discuss the use of cyber-based sanction-busting techniques by rogue actors.

2012 by EO13599, the *National Defense Authorization Act* (NDAA) and EO13622, as part of a relative multilateral trade embargo, spanning a huge variety of Iranian economic activities. In 2013, with *Iran Freedom and Counter-Proliferation Act* (IFCA) and EO13645, assets of foreign banks doing business in *rials* were frozen, and provisions of precious metals to Iran were sanctioned. With the *Comprehensive Iran Accountability, Sanctions, and Divestment Act* (CISADA, 2010), and subsequent implementations of EOs - an «arsenal of legislative bans and sanctions»⁴⁶ - US economic warfare became a sort of power of «suasion»⁴⁷, an instrument to convince private financial institutions to «self-censor» and not to do business with *rogue* banks and their partners («enforcement agents»), leaving them no other choice but «comply with US sanctions or stop doing business in US dollar»⁴⁸. In this way, by leveraging American global economic predominance and through the *weaponization of finance*⁴⁹, USA isolated Iran from the Western financial system. It was in that period that Iran «apparently» conducted a series of cyber attacks against American banks as a *retaliation* for the sanctions, hitting also commercial affiliates of US allies (i.e., Saudi Aramco and Qatari RasGas).

While Iran's Armed Forces and the entire nation were confronted by US actors that were very active in coercive and crippling actions, namely the Departments of State, of Justice, and of Treasury, riots and wars broke out in the Middle East, and new players and alliances emerged to disrupt the entire regional and global relations' system.

In this turbulent environment took place the JCPOA and P5 +1 negotiations in Geneva (2013). In Rohani's words, they would have

⁴⁶ Jordan d'Amato, *op.cit.*, p.47.

⁴⁷ Juan Zarate, *Sanctions and the JCPOA*, Hearing before the Senate Foreign Relations Committee, July 30, 2015, p. 9, p.21.

⁴⁸ Robert D. Blacwill, Jennifer M. Harris, *op. cit.*, p.197.

⁴⁹ Ian Bremmer, Cliff Kupchan, *Top Risk 2015*, Eurasia Group, Jan. 5, 2015, pp. 8-9.

cracked «the architecture of sanctions»⁵⁰. Against these expectations, the economic warfare continued, even if with sanctions restricted to terrorism and human rights violations: in this way, sanctions began to be *punitive* rather than *coercive*. Economic warfare, therefore, has remained in force after the *nuclear deal*; it is likely that other sanctions will be implemented owing to the deteriorating Iran's relations with the Trump Administration, but with contradictory effects, many doubtful questions, and cost estimates that are difficult to predict due to a complex calculus methodology.

According to the most widespread opinions sanctions have thus become the most powerful but also most controversial cost-effective tool for advancing US foreign policy and national security objectives⁵¹. The only thing that is certain is the numbing effects for US and Western companies caused by the war waged by the US Treasury and Justice Departments.

Conclusion

The *time factor* is crucial for planning and understanding the effects of any war strategy, and for studying countermeasures. Economic warfare requires a lot of time. Sanctions are part of a long-term strategy but «by tradition (...), Americans tend to be impatient and shortsighted»⁵². On the contrary, Iran has initiated a long-term strategy to counter US and allies' economic warfare. Tehran began with a tactics of *denial*, that is, the rejection of the sanctions' significance: like the 1980s war, they were enemy plots, powerful international conspiracies to undermine the Islamic Revolution. In the first decade of the new

⁵⁰ Keir Gilles, *Prospects for Iran's New Direction*, SSI US Army War College, 2015.

⁵¹ Executive Office of the President, *National Security Strategy*, February 2015, p.4

⁵² Michael L. Brown, *op. cit.*, p.43.

century, however, the Iranian counter-strategy changed into one of *negotiate, delay and move forward*.

With the *delay* option, Iran gained the time necessary to mitigate the sanctions' effects with the help of internal austerity measures. Surviving with huge sacrifices, it began to exploit divisions within the international community, thus eroding the support behind the sanctions for humanitarian reasons. Financially, it began to search alternative currencies to the US dollar (i.e. *black knights*)⁵³, because sanctions are effective *only* against entities that deal in US dollar. In this way, they have become paradoxically a challenge to the US world preeminence in the economic globalized system.

However, with the *delay* tactics against sanctions, Tehran reached very important results in the defense and security fields.

The politics of delay allowed Iran to become self-sufficient and to develop its own military manufacturing capabilities, strengthening conventional armaments and diversifying its global strategy and international alliances (Russia and China). In addition, the long and exhausting war questioned the dollar's role as the dominant currency on the world financial system, eventually undermining, together with other political factors, the Saudi Arabia-US relations based on massive purchases of US Treasury bonds and on the petrodollars' reinvestment in strong US military orders (which continue, but only fitfully). It also weakened the role of the Saudis as instruments, interlocutors and mediators of US influence within Opec and in the entire region. As a result, it ended up strengthening the Saudi and other sheikdoms' soft-power ambitions in the Middle East and beyond, e.g. Africa, allowing them to fuel sectarian hate against Shiism and Iran as an important counter-riots tool in 2011, and transforming the initial democratic and libertarian instances into a Sunnis vs Shiites war.

This has encouraged Iran's strategy, which sees itself and operates like a regional power and a Shiites defender worldwide, to develop its

⁵³ Nikolay Anguelov, *Economic Sanctions vs Soft Power*, Palgrave MacMillan, 2015.

ability in asymmetric warfare (IRGC and al-Quds) and to support other actors such as Hezbollah by providing the capacity for military pressure upon targets far beyond its borders. Unavoidably, however, this has brought about destabilizing consequences for the region's security and beyond, given the nature and actors of the new wars in the international arena.

The lesson that one might draw from the US engagement with Iran is to be never sure of one's own military and financial advantages. It remains to be seen whether the United States have learned to overcome the limits shown by a weak knowledge of the *situation on the ground* (as demonstrated by the Obama administration's diplomatic and military commitment in opposing Isis) or whether they are going to continue planning strategically by default rather than with a long-term vision.

Now that a peaceful solution for the Middle East, the Persian Gulf as well as Africa, and the implementation of the Iranian *nuclear deal* require tug-of-war strategies rather than brute force, Tehran seems more disposed to skillfully manage its advantage by keeping an, albeit precarious, balance with other world leaders, far beyond the USA. Time requires a strategic approach. An economic warfare linked to nuclear, WMD and terrorist threats in a changing and unstable world is like an endless tug-of-war that can only be won by treading warily, with caution and a long-term vision. Unlike old wars fought on a battlefield, and similarly to new wars, as well as in economy and finance, economic warfare's effects overstep national borders and are never definitive, but are always in a variable and permanent flux condition.