The Political Economy of US-Iranian Relations (2005-2014)

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From 2005 up until the end of the JPA’s first phase in July 2014, the US sought to exploit Iran’s economically interdependent foreign ties in order to eradicate the perceived Iranian nuclear threat. This paper analyzes the developments that took place in this timeframe to assess and establish the effectiveness of this economic policy to achieve its security aim. By positing the argument in the economic interdependence-security literature, this paper contributes to the debate and policy concerned with this political economy approach, and highlights the importance of economic and political interests when considering this relationship. By using the US-Iran case study, this paper emphasizes that unilateral actions to economically isolate a state are becoming increasingly impotent. Therefore, for such an economic isolation policy to work, it must be adopted on a multilateral if not universal level. Only then can the economic incentive for the targeted state be used to induce the desired security aims. This paper also provides a commentary on how its conclusions match up to the 2015 JCPOA.

KEY WORDS
Iran, the US, Economic Interdependence, Security, Political Economy, Joint Plan of Action.

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INTRODUCTION

The United States of America’s (US) ties with Iran suffered when the 1979 Revolution replaced the pro-US Shah, Mohamed Reza with the incumbent Islamic Republic of Iran (IRI) regime. From that point US-IRI ties were significantly strained by concerns over Iran’s nuclear program, which led to a series of negotiations and sanctions (involving international actors) to ameliorate the security threat posed by the Middle Eastern state. From 2005 onwards, these concerns became more acute as the conservative Iranian President, Mahmoud Ahmadinejad continued to develop the country’s nuclear program. Further, Ahmadinejad’s presidency combined with US President George W. Bush’s “Axis of Evil” mantra compounded these security concerns. However, following moderate President Hassan Rouhani’s election in August 2013, the Iranian president and his US counterpart, President Barack Obama achieved the highest grade US-IRI political status since 1979 through direct dialogue. This led to a détente in US-IRI relations when the November 2013 Joint Plan of Action (JPA), aimed at easing sanctions alongside curbing nuclear development, was agreed upon, implemented in January 2014 and extended in July 2014. The economic means carried out by the US to achieve these nuclear related security goals included: sanctions, laws and Executive Orders (EO) targeting Iran’s economy. Concurrently, US-Iranian trade transactions continued to take place in this period, hitting a US-IRI total trade level high of $787.32 million in 2008.

The aim of this paper is to assess the effectiveness of the US’ economic means (i.e. through sanctions, laws and EOs) to isolate Iran in order to achieve its security goal (i.e. nuclear non-proliferation) between 2005 and July 2014. Therefore, by assessing US-Iranian ties using this political economy approach, this paper identifies what the main successes, failures, opportunities and challenges were and are endemic in this bilateral relationship.

When concerned with the literature on the topic, the exploitation of economic interdependency to achieve security goals has received attention in both the academic and

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1 As well as concerns over: support for international terrorism, human rights and the removal of barriers to the Middle East Peace Process (with specific reference to the Arab-Israeli conflict).

2 It is also important to note that the Supreme Leader, Ayatollah Ali Khamenei (in place since 1989) held the ultimate veto power over the nuclear program, this is detailed at the points of significance throughout this paper.

policy realms. The two conventional schools of thought concerned with the economic interdependence-security relationship are: 1) the liberal positive-sum approach which denotes that an increase in cross-border interaction leads to increased cooperation and understanding, thereby opposing sanctions, 2) the conservative/realist zero-sum approach which is based on the notion of a finite amount of power/influence, and therefore the adoption of sanctions to weaken another actor’s power/influence, is condoned. However, for the purpose of this paper, the focus is on assessing the ability and effectiveness of the US in reaching its security goals by targeting Iran’s economically interdependent ties with foreign states/actors. Therefore, this study critically assesses the US’ economic power success in alleviating the security concerns surrounding Iran’s nuclear program in this nine year timeframe.

In order to identify and analyze the political and economic interactions made between the two actors between 2005 and 2014, this paper uses US and Iranian primary source material, relevant international organization materials, as well as various media, think tank and text book publications. By critically analyzing how US-Iranian economic ties fared alongside the political developments in this period, this paper identifies the effectiveness of the US’ economic lever of power in achieving its security goals concerned with Iran, based on empirical evidence. Furthermore, this research also adds to the debate surrounding the effectiveness of the economic interdependence-security relationship and the US policy towards Iran in general.

This paper starts by entrenching its argument in the economic interdependence-security literature and evaluating the contributions that this research makes to this debate. Following this, a brief background of US-Iranian ties is provided to highlight the US and IRI perspectives on their eclectic relationship. The main body of this paper is split into three sections. The first is concerned with Bush and Ahmadinejad’s time in office (2005-2009), the second with the Obama and Ahmadinejad’s tenure (2009-2013) and how each of these administrations approached and influenced the nuclear security issue through both political

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4 There are of course other approaches to assess the relationship between economic interdependence and security, such as those based on Constructivist, Marxist, Feminist, Environmentalist, etc. assumptions.


7 Official publications located in the US National Archives and Records Administration (NARA), the Central Intelligence Agency (CIA) Records Search Tool (CREST) archives located in the NARA, the Statistical Center of Iran documents, as well as official press releases and policy documents.

8 The United Nations (UN) and World Bank (WB) documents.
and economic means. The third section is concerned with Rouhani’s time in office, up until the implementation and the first renewal of the JPA (August 2013-July 2014), again when concerned with Obama’s interactions with his Iranian counterpart. The conclusion also includes some policy implications of this study, alongside inferences for the literature concerned. Additionally, this paper finishes with a short commentary on how the findings of this research, which identify conditions under which the US economic policy can be successful, fared against the 2015 Joint Comprehensive Plan of Action (JCPOA), which came into force after this paper was initially written.

THE ECONOMIC INTERDEPENDENCE-SECURITY LITERATURE

This paper specifically targets the economic interdependence-security relationship in the context of US-Iranian relations (2005-2014). The progressively globalized nature of the international political system has led to the explicit identification and use of economic tools to achieve political aims, i.e. security goals in this instance. Whilst the theoretical underpinnings of the ability of economic interaction to lead to gains/losses and influence date as far back as the first century, causal links between economics and politics have been more prominent since the end of the Cold War, specifically in the US. Indeed, in 1993, US President William (Bill) T. Clinton announced: “Our [US] national security today is tied as never before to our [US] economic security.”

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9 This has been a multi-disciplinary endeavor, including: historical Economic, International Relations and Peace Theory disciplines. However, this paper is focused on the cross-disciplinary literature concerned with economic interdependence and security, which is rooted in these aforementioned disciplines.

10 One of the first recorded benefits of trade between two actors was at around 100 AD when the Greek Philosopher, Plutarch noted that sea trade can “bring about cooperation and friendship.” Plutarch. C. 100 AD. Quoted in Douglas A. Irwin, Against the Tide: An Intellectual History of Free Trade (Princeton: Princeton University Press, 1996), 11. Conversely, one of the first negative observations made with regards to trade came when the Christian Theologian St. Augustine noted that “active traders … attain not the grace of God,” as they are concerned with their own grace/benefits. St. Augustine. Between 300-400 AD. Quoted in Gerald Schneider, Katherine Barbieri, and Nils P. Gleditsch, Globalization and Armed Conflict (Maryland: Rowman and Littlefield, 2003), 6. Whilst this debate is between these two sides of this theoretical discussion, i.e. the positive and negative effects of trade [see Amir M. Kamel, The Political Economy of EU Ties with Iraq and Iran: An Assessment of the Trade-Peace Relationship (NY: Palgrave Macmillan, 2015), 19-34 for a detailed discussion on this theoretical debate], this paper is concerned with the economic interdependence and security literature, and so will remain its focus.

This integration of commerce into foreign policy instruments came in a period where it was noted by the US Undersecretary of Commerce and International Trade, Jeffrey Garten that “we are entering an era when foreign policy and national security will increasingly revolve around our commercial interests, and when economic diplomacy will be essential to resolving the great issues of our age.” Following this, a prominent International Political Economy scholar, Christopher Dent noted how economic security considerations were integrated into US strategy formulation following the 9/11, 2001 attacks. However, the US ‘war on terror’ approach, as noted by International Relations theorist and former advisor to various arms of the US government John Ikenberry, led to the notion of unilateralism, which in turn “could undermine the principled multilateral agreements, institutional infrastructure, and cooperative spirit needed for the long-term success of nonproliferation goals.”

Additionally, the Political Economy scholar P.R. Goldstone’s observation, which follows the work of Edwin Mansfield and Brian Pollins on the positive impact of economic interdependence, noted how “high levels of trade with the aggregate international market correlate with cooperation.” This trend therefore notes how the economic isolation of a state (i.e. the extra-territorial US sanctions placed on Iran in the period concerned), can be counterproductive. Conversely, one of the most prominent critics of the positive impact of economic interdependence, academic Katherine Barbieri counters this argument. Indeed, Barbieri argues for the negative relationship between economic interdependence and cooperation. The US policy of economically isolating Iran is therefore supported by this negative correlation between economic interdependence and cooperation.

The thesis of this paper is that, in spite of this increased incorporation of economics into the foreign policy making mechanism, this tool was not alone in achieving the desired

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15 Both of whom made distinguished contributions to the academic and policy realms. Specifically, prior to his death, Mansfield provided advisory and consultation services to various US government agencies and the WB.
18 The root of which is based on St. Augustine’s negative perception of trade.
political goals. Therefore, whilst the adoption of economic means (i.e. sanctions) to influence security goals (i.e. nuclear non-proliferation) demonstrates a recognition of the need to comprehensively approach issues of concern, this tactic nevertheless was predicated on a static basis and did not include exogenous variables which presented themselves as opportunities and barriers to removing the threat of a potentially nuclear armed Iran.

This study therefore critically assesses the ability of the US to exploit Iran’s economic interdependence (that is on an Iran-US level and on an Iran-foreign states/actors level) in order to ameliorate the security concerns surrounding the Middle Eastern state. As a result, this paper adds to the discussion concerned with the understanding of the economic interdependence-security literature, by assessing its effectiveness in this case, and by extension sheds light on the US-IRI relationship through this political economy approach.

A BACKGROUND TO US-IRANIAN RELATIONS

Prior to the 1979 Revolution, US-Iranian ties were amicable, indeed even Shah Reza Mohammed labeled himself: “[the US] policeman in the Persian Gulf.” That being said, pre-1979 there were Iranian concerns over US intervention in domestic affairs. A prime example of these concerns came in 1953 when the US Central Intelligence Agency (CIA) and the UK’s external intelligence agency (Mi6) backed the removal of Prime Minister (PM) Mohammed Mossadegq to “bring to power a government which would reach an equitable oil settlement.” The rise and rule of the Islamic regime following the 1979 Revolution also weakened US-Iranian ties, as the IRI displayed “intense hostility toward the US.” Furthermore, following on from the 1979 Revolution, the IRI supporters’ kidnapping of fifty-two US citizens from the US embassy in Tehran further curtailed the Whitehouse’s ties with Iran, as US President Jimmy Carter imposed trade and arms sanctions on the IRI and urged other nations to follow suit. However, a Soviet Union United Nations (UN) veto in 1980 meant that other countries only gradually followed Carter in sanctioning the IRI.

21 CIA, ‘Prospects for Iran’, Interagency Intelligence Memorandum, (July 29, 1982), CIA-RDP85T00176R001500190014-6, CREST Archives, US National Archives and Records Administration (NARA), (p.3).
Since 1979, the US (as well as other international actors) has exploited the increasing economically interdependent nature of Iran’s foreign ties and implemented a number of measures to influence the political goals of the IRI (which were deemed to be a threat to international security). These came during Carter’s time in office under EO 12170 (in 1979) blocking Iran’s government property and interests,\(^{23}\) under President Ronald Reagan’s EO 12613 (in 1987) banning US imports from Iran\(^{24}\) and under Clinton’s 1996 Iran and Libya Sanctions Act (ILSA) concentrating on support for international terrorism, development of armed nuclear capabilities and barriers to the Middle East Peace Process.\(^{25}\) Further, the ILSA was the origin for the Iran Sanctions Act (ISA)\(^{26}\) which remained in place and was extended in 2010 under the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA),\(^{27}\) and was succeeded by the 2013 JPA.\(^{28}\)

From the Iranian point of view, the aim was to ensure its sovereign status by exercising its right to nuclear development. Therefore, by pushing for sanctions against Iran on the international stage through the ILSA (which was rejected by the EU),\(^{29}\) the US aimed to use its economic power to sure up its Iranian nuclear concerns. However, in spite of the US pressure to do so, the IRI did not completely feel the wrath of international economic

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\(^{26}\) Which also implemented trade sanctions against Iran.


\(^{29}\) Indeed, the EU even threatened to take the issue to the World Trade Organization (WTO), citing the extraterritorial basis of the ILSA. Ultimately, a US-EU agreement was reached in 1997 foregoing the restrictions of the ILSA on EU member states. European Commission (EC), ‘Iran-Libya Sanctions Act and Iran Freedom Support Act’, Trade, Market Access Database, EC (online, EC, February 1, 2008) http://madb.europa.eu/madb/barriers_details.htm?barrier_id=960061&version=2 [accessed February 22, 2014].
isolation. Furthermore, the IRI was also able to look east for weapon capabilities, with China providing patrol boats to the Iranian navy, Russia supplying Tehran with T-72 tanks and anti-aircraft missile systems, whilst North Korea (NK) was suspected to have supplied Iran with military submarines (either in constructed or kit format).

In January 2002, Bush included Iran (alongside Iraq and NK) in the ‘Axis of Evil’, and signaled a strategy, as identified by the Under Secretary for Arms Control and International Security John Bolton, which uses “bilateral and multilateral pressure to end ... [the nuclear] program.” This increased pressure on Iran was further stoked in August 2002 when Mujahideen el-Khalq’s Alireza Jafarzadeh revealed the nature of Natanz (the uranium enrichment site) and Arak (a heavy water facility which carried out the process required to produce plutonium), both of which were strictly legal, but are also required to enable nuclear weapon proliferation. Jafarzadeh’s revelation led to a period of increased US pressure to secure UN sanctions against Iran, with resistance coming in the form of the EU3 (the UK, France and Germany) negotiations with Tehran up until August 2005.

This brief background of US-IRI political and economic ties demonstrates how the US deployed its economic tool (sanctions) to influence or rather mitigate the security threat posed by Tehran’s nuclear program. Up until 2005, these did not have the desired effect, as Iran was deemed to be continuing to develop its nuclear program. The following sections are concerned with the 2005-2014 period in order to assess the effectiveness of the US’ economic policy in curbing Iran’s nuclear program.

AHMADINEJAD AND BUSH (2005-2009)

One of the first actions taken by Ahmadinejad upon his ascension to presidency in August 2005 was the announcement that he intended to continue uranium enrichment, which

34 An Iranian dissident group.
constituted a noncompliance with the UN’s nuclear watchdog, the International Atomic Energy Agency (IAEA) conditions. Ahmadinejad, backed by Khamenei and Iran’s Parliament or Majlis, then resumed enrichment activities in January 2006, prompting the EU3 to pass their case on to the UN (a significant turning point from the EU’s perspective, as it had dedicated its efforts towards direct negotiations and diplomacy with Iran before doing so). In turn, this allowed the US to exercise its policy, through pressure within the UN framework, to isolate Iran economically in order to lift concerns over the nuclear program, i.e. constrain Iran’s economic interdependence in order to reach security goals.

This came in the form of UN Resolutions, which included numbers: 1696 (in July 2006) which threatened to increase sanctions against Iran and simultaneously demanded a halt to enrichment activities, 1737 (in December 2006) making enrichment suspension mandatory, encouraging cooperation with the IAEA, banning the exports of nuclear related materials and technology to Iran, and freezing assets held by individuals linked to the nuclear program, 1747 (in March 2007) implementing an arms embargo and expanding the Iranian asset freeze, 1803 (in March 2008) extending the asset freeze, monitoring Iranian bank activities, naval vessels, aircrafts and the movement of the individuals concerned with the program and 1835 (in September 2008) reaffirming these previous three resolutions.

From a US point of view, the UN Resolutions allowed the Whitehouse to continue to pressure Tehran through this economic tool of limiting Iran’s interdependence. In an address to the US Congress in March 2008, Bush noted that Iran’s ongoing security threat to the US

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36 The International Atomic Energy Agency (IAEA), ‘Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran’, Board of Governors, GOV/2005/87 (November 18, 2005), (p.2). This also nullified the EU3 negotiations.


mandated the need to “maintain in force comprehensive sanctions” against the country. In spite of this continued pressure, Iran’s total trade with foreign partners increased exponentially in this period from $82.05 billion in 2005 to $178.13 billion in 2008.

These continually increasing Iran-world trade levels did not however deter the US from pursuing its strategy of attempting to economically isolate the IRI in order to achieve its security goals. This was however met with resistance from states in the international system. For example, as noted by the academic who’s research focuses on Chinese policy, Yu Guoqing, China asserted that “Sino-Iranian oil cooperation does not violate them [the UN sanctions relating to Iran’s nuclear program],” demonstrating Beijing’s unyielding to US pressure on matters of Sino-Iranian energy trade in this instance. This pressure also reverberated elsewhere, as a US letter sent to the Armenian President in December 2008 deplored the Armenian Government to take stock and comply with US sanctions. The letter came as a result of Armenia’s 2007 arms exports to Iran (which were contracted in 2003). This added pressure in the form of warning Iran’s trade partners (Armenia in this case), demonstrated the US dedication to use this economic tool to achieve security aims.

The view from Tehran defied this Washington, DC, and subsequent UN pressure. The IRI continued its strategy to increase trade with alternate foreign actors, notably the EU which saw its highest ever aggregated EU-IRI trade level at this point, hitting $40.12 billion in 2008. Further, Ahmadinejad sought to deploy a conservative economic policy in order to seek economic development, a goal declared by the IRI following the Iran-Iraq war.


44 Figure calculated from: The Central Bank of The Islamic Republic of Iran (CBIRI), ‘Economic Report and Balance Sheet 1388’, Economic Research and Policy Department, CBIRI (Tehran: CBIRI, August 10, 2010), (p.246). Note, these figures differ from those published by other reputable sources, such as the WB, which put the figure in 2005 at $110.82 billion (significantly higher than the CBIRI figure noted above), and the 2007 figure (as 2008 is unavailable at the time of writing) at $121.78 billion (compared to the CBIRI figure of $143.73 billion), these figures nevertheless show an increase, which is the point being made here, in: WB, ‘World Development Indicators (WDI)’, Databank, Custom Query, WB (online: WB, 2014) http://databank.worldbank.org/data/home.aspx [accessed June 3, 2014].


As Bush’s second term in office came to an end, there was potential that a new president would bring about a change in this economic isolation strategy. However, Obama renewed and toughened sanctions against Ahmadinejad’s administration. This demonstrated the unwavering stance of US policy towards Iran at this point.

AHMADINEJAD AND OBAMA (2009-2013)

The election of President Obama in January 2009 was tentatively welcomed by Ahmadinejad, following the US President’s message to increase dialogue and unconditional meetings with his Iranian counterpart. That being said, Ahmadinejad saw the opportunity to seek out apologies and repatriations from the US President following Obama’s comments. Furthermore, the June 2009 second term election of Ahmadinejad and the public protests which followed, appeared to lead to splinters in the IRI’s ruling system. This resulted in a situation where Ahmadinejad would curb his rhetoric and policies in order to sustain domestic support, whilst ensuring that the external (US in this instance) threat provided a useful enemy to secure legitimacy following the 2009 elections.

The resultant period of increased Ahmadinejad rhetoric and refusals to comply with the IAEA led to further US pressure to curb the nuclear program. This once again came in the form of multiple sanctions and acts on US, UN and indeed US partner levels, with the aim of strangling Iran’s economically interdependent partners to reach the security goals of nuclear non-proliferation. This came in the form of the July 2010 CISADA which extended the ISA and targeted companies and individuals aiding the country’s petroleum sector. The CISADA was followed by the December 2012 Countering Iran in the Western Hemisphere


As the IRI also noted how Ahmadinejad’s predecessors failed through their expansionist economic policies. Ibid.

Thomas R. Mattair, “The United States and Iran: Diplomacy, Sanctions and War,” Middle East Policy XVII, no.2 (Summer 2010): 54.

This came following Obama’s inaugural “extended hand” address in January 2009. Ofira Seliktar, Navigating Iran: From Carter to Obama (New York: Palgrave Macmillan, 2012), 162.


Act, aimed at limiting Iran’s attempts to counterbalance the sanctions which it was subject to.\(^{55}\) These acts were combined with EOs: 13553 (in September 2010) targeting individuals found to have abused human rights laws,\(^{56}\) 13574 (in May 2011) increasing CISADA sanctions,\(^{57}\) 13590 (in November 2011) focusing on energy-related sanctions,\(^{58}\) 13599 (in February 2012) blocking Iranian government and financial institutions,\(^{59}\) as well as additional financial sanctions limiting large value transactions in Iranian Rials, in July 2013.\(^{60}\)

Furthermore, the US continued to exert pressure on Iran’s economically interdependent partners in order to continue with its strategy of isolating the Middle Eastern state. Thus, demonstrating the Obama Administration’s intent on targeting Iran economically. Examples of this pressure came in the resultant UN Resolution 1929 (in June 2010), further increasing sanctions on Iran, which also noted that the previous sanctions had been unsuccessful up until this point.\(^{61}\) The UN continued with this stance through Resolution 1984 (in June 2011), extending the remit of the Iran Sanctions Committee (ISC) panel for an additional year.\(^{62}\) This was repeated, i.e. the extension of the ISC mandate for thirteen additional months, under Resolution 2049 (in June 2012),\(^{63}\) and again under Resolution 2105 (in June 2013).\(^{64}\)

Elsewhere, a marked change in policy came in 2012 when the EU (having previously resisted US pressure to implement sanctions, with a preference for diplomacy and negotiations), implemented an oil and asset freeze in January, a clear departure from the

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previous reactions to the ILSA.65 This was extended in March 2012 to include Society for Worldwide Interbank Financial Telecommunication (SWIFT) transaction sanctions,66 and in December of the same year the EU adopted its most stringent sanctions up until that point, targeting: “several export bans, including on graphite, metals, key naval equipment and technology for ship-building, additional key equipment or technology for the Iranian oil, natural gas and petrochemical sector and software for industrial production.”67

A note worth considering at this point is that the European and US sanctions did not include electricity exports from Iran, allowing the IRI to export its natural gas reserves.68 This also meant that Iran was able to maintain trade levels, in spite of these sanctions, with total Iranian trade with the US averaging at $284.13 million from 2012 to 2013.69

ROUHANI AND OBAMA (2013-2014)

The election of the moderate President Rouhani in August 2013 instigated an increase in US-IRI dialogue, and the best relationship status between the two states (i.e. direct president-to-president dialogue) since the 1979 Revolution. This came following a period of increased domestic backlash in Iran from the population as well as within the political system, during Ahmadinejad’s second term.

Following a series of unsuccessful attempts, the P5+1 or the EU3+3 (i.e. the UNSC plus Germany), managed to broker the historic JPA in November 2013. The agreement led to an alleviated set of sanctions, provided the IRI cease uranium enrichment, export its significantly enriched uranium stockpile and open up to IAEA monitoring procedures.70


67 EU, ‘EU sanctions against Iran: Council defines scope of October measures’, Press Release, 18027/12 PRESE 552, ECL (Brussels: ECL, December 21, 2012), (p.1)


concentrated on using the economic interdependence tool in a different manner than before, that is the carrot of improved economic ties once demands were met.\textsuperscript{71} Further, the JPA specified that “the US Administration, acting consistent with the respective roles of the President and the Congress, will refrain from imposing new nuclear-related sanctions.”\textsuperscript{72} In this period, the US alleviated its economic pressure on Iran. Further, increased sanctions against Iran were confined to a much smaller scale, for example in April 2014 the US offered a $5 million bounty for information on the Chinese businessman Li Fangwei (also known as Karl Li) who was allegedly the principal provider of ballistic missiles to Iran.\textsuperscript{73} Elsewhere, the UN further extended the mandate of the ISC for another twelve months under Resolution 2159 (in June 2014), as the security concerns of Iran’s nuclear program were still very much alive.\textsuperscript{74} As far as sanctions remaining in place, and by extension maintaining the implementation of its economic policy towards Iran (i.e. by continuing to apply pressure to limit the Middle Eastern state’s economic interdependence in order to meet the security goal of halting the nuclear program), this came in the form of: EOs 13224 and 13382 (implemented under Bush, mentioned earlier) and EO 13599 (under Obama). This was the case, as the JPA did not require the US to amend these three particular EOs.\textsuperscript{75} The implementation of the JPA demonstrated a move to ease economic sanctions on Iran. However, as noted by the Congressional Research Service’s Middle Eastern Affairs Specialist Kenneth Katzman, the JPA waivers and sanction alleviations “do not permit US companies trading in such goods with Iran, but rather suspend US sanctions on foreign companies that trade in such goods with Iran.”\textsuperscript{76} Therefore in spite of the JPA easing sanctions, it nevertheless maintained the US policy of limiting economic interdependence in order to reach its security goal. That being said, the fact that the JPA allowed foreign companies to continue to carry out trade transactions with Iran, meant that the multilateral nature of the sanctions was no more. Therefore, due to the increasingly interconnected and

\textsuperscript{71} Compared to the stick method of threatening to increase sanctions against the Middle Eastern state, if the demands were not met.


\textsuperscript{76} Ibid, (p.61).
interdependent nature of Iranian trade with the international system, the resultant sanctions were ineffective in terms of significantly punishing Tehran by isolating its economic ties with foreign partners. As a result, it was the incentive of alleviated economic sanctions for Iran, which contributed to the signing of the JPA.

CONCLUSIONS AND POLICY RECOMMENDATIONS

It is clear that when concerned with contemporary US-IRI ties, each actor had a different context from which it makes its decisions when interacting with the other. From the US perspective, the cooling of US-IRI ties following the 1979 Revolution, and increased security concerns over Iran’s nuclear program, led to a 2005-2014 period where policies (significantly, economic sanctions) were implemented in order to target the IRI’s economic interdependence with foreign partners in order to pressure the Middle Eastern state into complying with IAEA inspections and downgrading its nuclear enrichment capabilities. From the Iranian perspective, the country’s rejection based ethos has been as a result of what Tehran views as external intervention in its domestic affairs, and therefore the Middle Eastern state is scarred with memories of foreign intervention, vis-à-vis the example of the 1953 Mossadeq Coup.

However, the inception and implementation of the JPA in November 2013 and January 2014, respectively, presented a medium for US-IRI dialogue. This was something which was significantly limited on a president-to-president level following the 1979 Revolution. The JPA also led to increased IRI-IAEA cooperation, and as a result made some headway in alleviating concerns over Iran’s nuclear program. However, the fact that Rouhani faced and still faces internal pressure from rivaling parties and individuals in the Iran, demonstrated the need for continuous dialogue between the international community (whether it be in the form of the P5+1, on a bilateral US-IRI level, or otherwise), in order for the benefits of the JPA to be made clear to the domestic audience in Iran.

Furthermore, the US has the opportunity (as a consequence of the JPA and succeeding JCPOA), to regain its role as an Iranian ally. This result might have a negative impact on regional actors/influencers (such as the EU). However, the resultant downgrading (or even

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77 Iran’s top three export partners are China (which make up around 35% of Iran’s exports), India (19%), and South Korea (12%), and its top three import partners are China (21% of total imports), Turkey (19%), and South Korea (12%). Data extracted from: Observatory of Economic Complexity (OEC), ‘Iran’, 2014, http://atlas.media.mit.edu/profile/country/irn/ [accessed September 3, 2014].
elimination) of Iran as a security threat would reap benefits for both Tehran and the international system (in the sense that the international security threat posed by Iran’s nuclear program would be removed).

In sum, the US targeting of Iran’s economic-interdependent foreign ties were effective when the Whitehouse had multilateral support from external partners. In the sense that Iran and the P5+1 ultimately entered into negotiations and agreed on the interim JPA. As a result, the policy of sanctioning Iran (or in this case, the threat of sanctioning Iran should it fail to meet the JPA and subsequent JCPOA conditions), to achieve the security goal of halting the IRI’s nuclear development program, required the cooperation of more than just the policy instigator, i.e. the US. Therefore, in order for the policy to be successful, it must take into account the increasingly interconnected/interdependent nature of international relations. The fact that the international system is woven between political and economic spheres means that this is increasingly becoming the case. As a result, a policy such as that adopted by the US towards Iran between 2005 and 2014 will become increasingly ineffective, unless it is on a multilateral level where Tehran’s alternative foreign partners adopt the same policy, or are at least aligned to it.

Indeed, for the policy, rooted in the economic-interdependence security literature, to work, it must be adopted in an absolute sense, i.e. all of Iran’s economic ties being cut/sanctioned. At that point, the economic incentive for Iran (i.e. the removal of sanctions in this case), can be used as a carrot to achieve the security aims of the US and broader international community, i.e. nuclear non-proliferation.

POST-2015 JCPOA COMMENTARY

As noted above, the thrust of this paper is concerned with the need to account for the multilateral nature of international relations when devising policies to influence states in the international system. Given the significance of the 2015 JCPOA, this section provides a short commentary of how the conclusions of this paper fared against the JCPOA agreement and provisions. It is important to note that this paper does not focus on the JCPOA, but rather the period preceding it (2005-2014). Indeed, in order to make a full assessment of the JCPOA, an article dedicated to the subject would provide a starting point for such analyses, something which is undoubtedly being carried out at present. Therefore, it is necessary to reiterate that this section is focused on a commentary of how this paper’s conclusions measure up to the 2015 JCPOA, a post-JCPOA commentary if you will.
The JCPOA was agreed upon on July 15, 2015, and under UN Resolution 2231 (in 2015) the agreement will be adopted (i.e. the Adoption Date) 90 days following this UNSC approval.\footnote{UN, ‘Resolution 2231’, S/RES/2231 (July 20, 2015), (p.19), http://www.un.org/en/sc/inc/pages/pdf/pow/RES2231E.pdf [accessed August 13, 2015], which also includes the JCPOA in the Annex of the document.} As per the agreement, Iran’s nuclear program is to be “exclusively peaceful [and in return, the JCPOA] … will produce the comprehensive lifting of all UNSC sanctions as well as multilateral and national sanctions related to Iran’s nuclear program, including steps on access in areas of trade, technology, finance and energy.”\footnote{Italics added for emphasis in Ibid, (p.9).} The key here being the multilateral nature of the agreement, emphasized in the quote.

The significance of this is twofold. Firstly, from the P5+1 perspective, the multilateral aspect ensures that Iran’s economic interdependency on foreign states is aligned, i.e. the economic interdependence-security policy is being adopted in a manner which follows the conclusions pointed out in the main body of this paper. Therefore, from the IRI’s perspective, the risk associated with reneging against the JCPOA conditions is significantly higher, as the subsequent reimplementation of sanctions would incur higher costs, due to their multilateral nature. Secondly, as evidenced by the examples and analyses in the main body of this paper, varying P5+1 positions (and indeed other state positions) led to a slow negotiation process. Further, whilst any sense of disagreement between the P5+1 during the JCPOA negotiations has not been particularly forthcoming at this point, and understandably so, there were signs of how the multipolar nature of the negotiations elongated the process. For example, during the second round of talks following the July 2014 JPA extension, Russian Deputy Foreign Minister, Sergei Ryabkov noted how there were “a series of subjects that cannot be categorized as completely agreed, let alone, committed to paper,” in October 2014.\footnote{Sergei Ryabkov. Quoted in Russia satisfied with Vienna round of P5+1-Iran talks - Russian deputy foreign minister, TASS Russian News Agency, October 17, 2014, http://tass.ru/en/russia/754867 [accessed August 13, 2015].} Then, following the second extension of the JPA in January 2015, France’s negotiator Nicolas de la Riviere noted that “the mood was very good, but I don’t think we made a lot of progress.”\footnote{Nicolas de la Riviere. Quoted in Iran, powers make 'limited' progress at nuclear talks, to meet in February, Stephanie Nebehay and Marina Depetris, Reuters, January 18, 2015, http://www.reuters.com/article/2015/01/18/us-iran-nuclear-talks-idUSKBN0KR0E820150118 [accessed August 13, 2015].} These examples point to not only the necessity for an agreement on a P5+1-Iran level but also on a P5+1 front.
Furthermore, if the US were to fall short of its JCPOA commitments, it would nevertheless still be constrained by the multilateral nature of Iran’s foreign economic ties. Therefore, the strategy of using economic isolation to influence Iran’s nuclear program would still be limited if non-US P5+1 members took a different tack. Whilst the JCPOA specifies that “the provisions of the old UNSC resolutions would be re-imposed [should the conditions of the agreement be violated], unless the UNSC decides otherwise.” This means that should the IRI not abide by the JCPOA requirements, and should the UNSC not agree on a new resolution within the allotted 30 days, then not even the veto power of the P5 members would prevent the sanctions from falling back into place. This indicates that the US economic policy is cognizant of the need for a multilateral approach to the issue. However, this is no more than just that, an indication. Indeed, there would foreseeably be alternate scenarios where the non-US P5+1 members and other states in the international system could counteract this US leverage over the JCPOA. This would result in further examples of how important an economic isolation policy must be adopted on a multilateral level if it is to achieve its security goal(s).

82 Something that some analysts see as a possibility if there is an increased level of JCPOA rejection in the US and Iran. However, the multilateral nature of the agreement makes this more complicated and thus less likely, ceteris paribus, particularly given the fact that Obama has the power to overrule a Congress vote should he wish to do so, and indeed that Khamenei decreed that political actors in Iran were not allowed to criticize the JPA negotiations.

83 UN, ‘Resolution 2231’, (p.20).

84 Ibid.