

ASSESSING THE UTILITY OF NEW SANCTIONS ON IRAN

Testimony to

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Congressman John F. Tierney, Chairman

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“Iran Sanctions: Options, Opportunities and Consequences”

Prepared by

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I am honored and grateful to have the opportunity to share my personal insights with the members of this sub- committee today as you assess one of the more vexing puzzles of our post 9-11 world: how might coercive economic instruments change the behavior of the Iranian government? ⁱⁱ I will share my judgments on this puzzle with you by drawing upon the varied frameworks and findings of systematic research on sanctions which has occupied my colleagues and me since 1990. ⁱⁱⁱ

The Congress - and ultimately the Executive Branch - face an unenviable situation in considering the imposition of a new round of economic sanctions on Iran as outlined in HR 2194: the Iranian Refined Petroleum Sanctions Act of 2009. Through various violations of international law and norms, the Iranian government's behavior makes a *prima facie* case for punishment and condemnation. Among these violations are their continued material support for Middle East groups on the US terrorism list, conducting a fraudulent national election followed by a draconian crackdown on political opponents and human rights generally, and, their deception in and continued development of enriched uranium. Then, in the face of this, US legislators have some fairly biting sanctions instruments at hand. Especially via a gasoline import embargo and through increasing the range and reach of technology and banking controls, the US can wreck havoc on an already under-performing Iranian economy. Finally, the sanctions available will "play well" in this town and across the nation to a wide variety of domestic groups from human rights coalitions to those who see Iran as a prime candidate for regime change. Using the popular vernacular, then, it would appear a "no-brainer" to use the tools at hand to impose a series of sanctions on the Ahmadinejad government and its internal supporters.

With a case easily made, strong tools at hand, and large scale domestic support forthcoming, why would I refer to the "no brainer" decision as an "unenviable situation"? Because the sanctions under consideration, with one or two narrow exceptions, will inflict economic pain in Iran, but produce no political gain on issues important to the United States. In fact, research on the history of sanctions cases predicts that these sanctions imposed on this Iranian government in the manner proposed in HR 2194, will do more harm than doing nothing.

Without question, the robust set of sanctions under review will adversely impact the human rights situation within Iran, as the Iranian opposition and civil society groups will be both more repressed and more vulnerable to the regime. We run a high risk that many Iranians will be angry at the US for such sanctions which pleased our need "to bring the regime to its knees", but which actually strengthened Ahmadinejad's hand. In addition, since the sanctions will fail to force Tehran to accept transparent cooperation with an international plan to provide it with processed uranium, the US will be in a worse strategic position on the nuclear issue. And sadly, because we aim to impose these sanctions unilaterally outside of the United Nations framework, we will have undermined the reasonably strong coalition of support condemning Iranian actions that has emerged over the past year, and which is the ultimate leverage against Iranian misbehavior.

Indeed I am sorry to bring you bad and difficult news. My caution regarding sanctions should not be construed as failing to appreciate the terrible, destabilizing threat that a nuclear armed Iran will pose

to the US and Middle East. Nor do I want to gloss over Tehran's gross behavior against its own citizens, or its illegal behavior abroad. There is no question that the US finds itself in a conundrum with Iran. But most of the sanctions now on the table promise only to make this situation worse.

Rather than being a "no-brainer" decision to make, what is called for in this rather unique and rapidly changing situation within Iran is lots of brains, astute restraint, deep insight into history and culture. In addition we need determination and innovation at every diplomatic level in engaging the multiple and complex actors who make Tehran's policies on nuclear issues and human rights. This is not the stuff of punishing and isolating economic sanctions. Rather it is the use of smart power at its best.

I detail below those research findings from prior economic sanctions cases that inform the assertions I have just made. These generalizations also help me develop some policy options which might provide a way forward in advancing US interests with the Iranians.

1. Sanctions work best when they are one of a number of diverse tools used to achieve a larger set of strategic policy goals that are so clear, consistent, and well articulated that they are fully understood by the target. When sanctions fail, it is often because the policy goals have become muddled and ultimately overshadowed by the importance of enforcing the sanctions. Soon sanctions become the policy, rather than serving as a tool of policy.
2. Generally, sanctions achieve the desired compliance from their targets only about 1/3 of the time. The ratio is far less for trade sanctions. [Thus generating caution about an embargo on refined petroleum imports, even before one calculates the political impact of such restrictions.] The most successful sanctions of the past twenty years have been narrowly targeted "smart" sanctions aimed at those individuals and entities primarily responsible for wrong-doing. These include financial asset freezes, diplomatic and travel bans and involve coordinated efforts by the UN Security Council and the United States Government.
3. If multiple sanctions are to be imposed for multiple, distinct offenses to international norms and treaty obligations [as can be claimed warranted in the Iranian case] they must be multinational, i.e. UN generated and supported, to be successful. This path is not pursued in HR 2194 because we know that our key P5 partners in the Security Council do not support this approach. They prefer, consistent with Security Council Resolutions 1737 (2006), 1747 (2007) and 1803 (2008), to focus on missile technologies and especially the problem of uranium enrichment. At best these P5 partners will support narrowly targeted sanctions on missile and related technology and illicit financing for WMDs. Formulating that kind of SCR may be possible. But it will require hard work and ingenuity. It may also necessitate a pledge that the US will not follow such agreements with harsh sanctions penalties imposed unilaterally for which it could not get broad support in the P5.
4. Sanctions must not just enrage, but actually engage the targets. Sanctions must provide a framework for continued engagement of the target with the imposers in order to remain focused on the behavior that

needs to change in order to lift the sanctions. Sanctions which are excessively punitive and which aim to or effectively achieve the isolation of the target frequently fail.

5. In nations where strong internal opposition to the regime exists, sanctions provide national leaders of the target regime with a classic “rally around the flag” policy tool and benefit. In this, the regime justifies further internal repression by blaming the extreme economic and political situation the nation faces on the impact of the sanctions. In such an “emergency” leadership more easily deflects criticism levied against it. Nothing could play more into the Ahmadinejad government’s insecurity and its intensification of repression than such sanctions, especially those on refined petroleum import controls.
6. Neither unilateral nor multilateral sanctions have ever toppled a targeted, rights violating government. Nor have sanctions, by themselves, ever forced rights violators to desist in their worst acts of rights violations. When imposers force improvements in a target’s human rights behavior, it results from the imposer severely curtailing an array of existing and integrated economic ties to the target, that is, aid, trade, investment, and banking. [The South African case somewhat fits here]. Thus the sanctions paradox: they are much more effective against friends and economically interdependent entities than already ostracized enemies. The noteworthy caveat: sanctions have more dramatic success in safeguarding new governance structures and human rights in new and fragile democracies.
7. Sanctions-stimulated nuclear reversal has occurred – whether it be with Ukraine, South Africa, Brazil or Libya – only when the imposing state[s] also provides two types of incentives: (a) the prompt removal of the constraining sanctions that are in place [and the target quickly feels such undoing, and, (b) mechanisms at the ready that show the target that they - being forced by their own behavior to live under sanctions - are forgoing the “rewards of full scale participating in this globalized economic order”. The lesson for the Iranian case: we cannot punish them into a nuclear deal. Only an astute mix of narrow sanctions to focus their attention, continued engagement, and versatile incentives will provide this. And the time for sanctions is not now.
8. Technology control sanctions, as contemplated in a number of sanctions under discussion, appear “elegant” in a “commodity” sense. That is, they are a set of distinct goods which, when embargoed, deprive the government target of dual or multiple use items of significance, especially in the communications sector. Indeed such a ban might effectively constrain the military, the government and elites for a short time. But they constrain civil society actors more adversely as they deprive them of continued ingenuity and opportunities to command the cyber technologies and paths. Recent history shows the struggle over communications technology now occurring in Iran favors the opposition, rather than the regime over the medium to long term. Sanctions on technology imports to Iran increases government power in dysfunctional ways.
9. Any serious sanctions assessment asks about recent sanctions history. We must recognize that 30 years of US [and sometimes allied and sometimes multilateral] sanctions have not changed the behavior of the Iranian state, regardless of the character or persuasion of the ruling group. What has led to our best

relationship in recent years with the Iranians has been focused, narrow and goal-oriented discussions based on mutual interest, such as in intelligence sharing regarding al-Qaida, in dealing with sectarian violence in Iraq, etc.

Having cast strong, negative dispersions on the sanctions, for which the appetite in this town has grown exponentially in recent months, what viable proposals do I have to deal with this vexing foreign policy problem? I outline them briefly below, but they flow from two assertions that are more important than the specifics to which they give rise.

First, we must recognize that time is on our side in this case. Beyond the bluster of building new nuclear plants, Iran's real capability for enriching uranium to weapons grade levels still faces many technical obstacles. Despite brutal internal repression, the social change taking place in Iran will change the ruling elites over time, if not in terms of the persons who rule then the style of their rule. Sanctions at this stage and in this case add a level of volatility and unpredictability that will backfire on US goals and unleash secondary realities we did not anticipate and cannot influence.

Second, we are on new testing grounds for smart power and determined engagement. We can make the rules and really pressure the Iranians IF we continue to hold the high ground on nuclear issues, human rights and transparency. To do that we are going to need policies and overtures and patience that are more nimble than a tightly imposed set of sanctions will allow us to be. We really need to think through twice the likely and unlikely outcomes of each proposed option with the Iranians due to the volatility of the situation. And we need to take risks – but ones that are in the direction of aggressive diplomacy and continued engagement, even in the face of Iranian stubbornness and their domestic repression. The history of US-Iranian relations shows that Iranian leadership is often too slow - in reacting to our terms and conditions - to embrace our proposed viable solutions to our disagreements. Thus, since the Iranians now appear to have left the Geneva agreement on the table many here think sanctions are the only alternative left to us. I disagree. We must treat this as a deal in waiting and continue to invent ways that invite, embarrass, cajole and/or incentivize the Iranians to embrace some version of that Geneva model. In other words, we need determined diplomacy, not sanctions.

Accordingly, I would ask this sub-committee and the Congress to authorize the President to

- find creative ways to bolster policies that state unambiguously to the American and Iranian people that our number one priority in dealing with the Iranian government is denuclearization;
- state that we are so committed to this path that we have taken historic steps with the Russians to reduce our own arsenals, and that that we believe no nation any longer should consider nuclear weapons vital to their security.

The goal of US policy should be aggressive engagement until the Iranians are tired of us showing up at their doorstep. To impose the sanctions outlined in HR 2194 makes it easy for Iran to hold off inspections, withdraw from the NPT, or take similar reactions that are difficult for them to undue. I recommend actions that reinforce the continued solidarity of the P5 in condemnation of Iranian actions, the generation of further alternatives, the imposition of further timelines, and if needed the slow and steady ratcheting up of pressures that can be guaranteed not to have detrimental secondary, unanticipated effects .

In this regard the US should state that we will propose to the Security Council a new, narrow targeted package of sanctions on Iranian banks and entities for which we have ample evidence that their activities violate prior UN Security Council resolutions We can and should state that the US Treasury has even more far-reaching financial restrictions at the ready, but the US seeks Iranian dialogue and cooperation, not punishment within a multilateral context, unless the future actions of the Iranian government leave us little choice.

The Congress and Executive should support independent, NGO investigations of systematic abuses of human rights and should increase commentary on the good wishes of the American people to the people of Iran as they seek to determine a more open social and political future. The Congress and the President should outline the set of incentives that await an Iranian regime that will comply with existing IAEA regulations and UN Security Council Resolutions. These may include:

- A restructuring of UNSC resolutions that accepts the right of the Iranians to enrich uranium for energy and medical purposes and which recalculates the levels of production and enrichment that can occur subject, of course, to international inspection.
- A non-aggression pledge from P-5 members regarding Iran that no state will seek to dismember Iranian facilities via air strikes or invasions.
- Membership in a set of international trade and cooperation organizations that thus far have been closed to Iranians, such as the World Trade Organization.

Finally, the Congress and the President should move ahead with potential areas of cooperation with Iran on fronts of national security concern. Among these are drug and border security with Afghanistan; Iranian assistance with security in the upcoming Iraq elections, and Iranian assistance with a safe US troop withdraw from Iraq.

These tough and determined actions over the next six months are harder than imposing sanctions. But they hold greater prospect, I believe, for achieving US goals.

ⁱ While having the privilege to research sanctions issues this academic year as a Jennings Randolph Senior Fellow at the United States Institute of Peace, the views expressed here are mine alone and do not represent the views held by the US Institute of Peace.

ⁱⁱ Prior Congressional testimonies on economic sanctions provided by the author include Hearing on “The Volcker Interim Report on the United Nations Oil-for-Food Program” Sub-committee on Oversight and Investigations, Committee on International Relations, One Hundred and Ninth Congress, February 9, 2005; and, “UN Sanctions After Oil-for-Food: Still a Viable Diplomatic Tool?” Sub-committee on National Security, Emerging Threats and International Relations, Committee on Government Reform, One Hundred and Ninth Congress, Tuesday, May 2, 2006.

ⁱⁱⁱ These come from authoring or editing seven books and thirty articles and book chapters on economic sanctions, most often working jointly with David Cortright, Director of Policy Studies of the Kroc Institute, and more recently as well with Alistair Millar and Linda Gerber-Stellingwerf, President and Director of Research respectively, of the Fourth Freedom Forum . The influence of these three fine colleagues on my assessment is considerable and I am pleased to acknowledge it. But I alone am responsible for the content and policy advice provided in this testimony.