



Lifting Sanctions on Iran

Gary Clyde Hufbauer explains that economic sanctions on Iran have worked because of cooperation with Europe, Russia, and China—all of whom back the deal to lift some sanctions to support nuclear negotiations with Tehran.

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Steve Weisman: The negotiated agreement between the West and Iran to lift sanctions in return for Iran pulling back some on its nuclear program has drawn fire in Congress and in Israel. The history of sanctions has been studied by Gary Hufbauer at the Peterson Institute for many years. This is Steve Weisman. Gary, first, what sanctions are being lifted in return for Iran freezing and even pulling back on its nuclear program?

Gary Hufbauer: There is a very light lifting of sanctions. The number tossed out is supposedly going to increase the Iranian economy by about \$7 billion. That's about 1 percent of the Iranian economy and the sanctions that will be lifted are to allow some foreign exchange dealings. We have been very effective in restricting Iran's access to the international financial system dealings in gold, which you could say is an alternative form of foreign exchange, and some additional oil exports. So it's marginal things on all these fronts and also some additional imports into Iran. But it's not by any means an elimination of sanctions. It's just a little carrot has been given in response to their concessions on the nuclear programs.

Steve Weisman: Nonetheless, the leadership in Israel and many critics in Congress on both sides of the aisle are worried about this step and are calling for an increase in sanctions. But the sanctions were not just a product of American policy. A lot of diplomacy internationally has gone into them. Is that not correct?

Gary Hufbauer: Yes, absolutely, that is correct. It's surprisingly successful because amongst the diplomatic allies are two countries which are not famous for being diplomatic allies of the United States: Russia, and China. And respectively, they have agreed on this limitation on the Iranian banks in the world financial system, which is run through SWIFT [Society for Worldwide Interbank Financial Telecommunication] based in Brussels and a couple of other systems. That's pretty important. In fact, I think that has been the most important contribution. And these countries have agreed to recognize these limitations basing on dealing with Iran in finance. And secondly, China in particular has capped its oil imports from Iran. It has not eliminated them but it has capped them. That's pretty important because China is a big destination for Iranian oil, as are India, Korea, and Japan.

Steve Weisman: I'm wondering if the United States were somehow to walk away from this deal and say, "Well, we don't agree with this approach," it's not in a position to maintain these sanctions by itself.

Gary Hufbauer: Absolutely. We don't purchase any Iranian oil. A lot of other countries do. And as I said, it takes cooperation in many countries to add this, what I call, financial blockade. So if the US walks away, these other countries, they're not going to ratchet up their sanctions and in fact, they may ratchet them down very significantly from the degree of deprivation that

now exists, which is also painful to the countries which would otherwise be importing or doing trade, one kind or another with Iran. So, this coalition, it was really quite surprising that it came together. To me, it was quite surprising and it's been quite successful thus far.

Steve Weisman: Let's just review the history. You studied sanctions in a lot of situations, from South Africa in the 1980s to other cases, sanctions that have even been imposed on Israel by some countries. What's the history of sanctions over the decades?

Gary Hufbauer: Just to take a couple of nuggets, one, the harsher the sanctions, the more likely the success. These are very hard sanctions in the case of Iran. We think they've reduced Iranian GDP by 10 to 20 percent. Second, autocratic governments are very tough targets and Iran is an autocratic government, so it's a tough target. Third, financial sanctions seem to be more important than trade sanctions these days. And fourth, the United States by itself, if we go back to the 1950s and 60s and even the 70s, had quite good success record when it by itself imposed sanctions. That success record has gone down quite a bit in the 1990s and the 2000s for US unilateral sanctions.

Steve Weisman: For the reasons that we were discussing earlier.

Gary Hufbauer: Right. So, in a case like this without cooperation from other countries, it would be much harder to put the squeeze on Iran.

Steve Weisman: Gary, thanks very much.

Gary Hufbauer: Thank you.

