

# Professor analyzes role of trade sanctions against Iran

March 4 2015

---

Israeli Prime Minister Benjamin Netanyahu addressed Congress on Tuesday as about 50 Democratic lawmakers threatened to boycott the address, offering the latest and one of the most clear microcosms of the debate about Iran's nuclear program and strained relations among nations. A University of Kansas professor has authored an extensive look at the history of trade sanctions against Iran, noting that while they have had their intended effect, the problems are far from over.

Raj Bhala, associate dean for international & comparative law and Rice Distinguished Professor at the KU School of Law, has published "Fighting Iran With Trade Sanctions" in the *Arizona Journal of International and Comparative Law*.

"Iran has been a part of my life since high school. I've been fascinated by it; I've been frustrated by it for many years," Bhala said. "I've had professional, educational and personal experiences with Iran ever since. The purpose of this article is to explain, analyze and critique the most comprehensive set of trade law [sanctions](#) ever imposed by the United States, or any country, against another country."

Iran's nuclear ambitions are at the heart of the disagreements. While Iran claims it is not interested in nuclear weapons and only wants to pursue peaceful nuclear energy, the U.S., Israel and many members of the United Nations claim the world simply cannot allow the country to develop nuclear weapons.

Bhala details the four main types of sanctions, imposed by the U.S. and endorsed by the United Nations:

- Foreign direct investment or FDI
- Import and export
- Financial sanctions
- Human rights sanctions.

The sanctions have had the intended effect of weakening Iran's economy, Bhala said. The FDI sanctions alone forbid countries from making investments of more than \$20 million in Iran's energy sector.

"We all know Iran is blessed with abundant energy resources. However, it needs to pump that oil and natural gas out of the ground, export it, have it refined, re-import it and sell it, either domestically or internationally," Bhala said. "Not being able to reap those foreign investments has clearly damaged that vital sector."

The financial sanctions have also been effective, as any transactions with Iran became illegal under the orders. The sanctions also outlawed correspondent banking, a major feature of international banking and letters of credit involving Iran, the primary instrument of trade finance.

While effective, the sanctions have evolved because they did not quell the behaviors they were intended to stop, Bhala said. In the case of energy exports, Iran has worked around the limitations because of strong demands in nations such as China and India with burgeoning populations in the process of industrialization.

Iran also could circumvent import and export sanctions as transporters, insurers and others did not always know whether the cargo they carried or insured was of Iranian origin or destined for Iran. So, the U.S. brought freight companies and insurers within the ambit of the sanctions regime.

The ability to circumvent sanctions not only led to tightening of restrictions over time, they also generated significant lessons, Bhala said. History shows that sanctions work best when the United States does not act alone and imposes sanctions in concert with allies. The record also suggests the United States should work closely with friends and allies to help them comply with sanctions.

"It's not reasonable for India to shift all of its energy needs away from Iran overnight, for example," Bhala said. "That's impossible to do and not something that we should expect."

Actions can have unintended consequences, and they should be monitored to help improve sanctions as well, he wrote. One example is the high rate of plane crashes in Iran due to lack of modern spare parts and high-quality aerospace engineering servicing. Loss of innocent life is not acceptable and can and should lead to improvements to sanctions when it is shown to happen, Bhala said.

With updates, sanctions have achieved their intended outcomes and brought Iran to the bargaining table as an interim nuclear deal is now in place, which Bhala details in the article. While disagreements persist, they are still practical teaching tools for anyone hoping to enter the field of law. The sanctions affect business, real estate, financial, economic and many other sectors of law.

"It's an incredibly diverse array of sanctions, and there are criminal penalties for violating them," Bhala said. "It would be malpractice if we were not teaching our students about them, and as a moral issue, it's a fascinating question of, 'Do sanctions work, and do we have the right to impose them?'"

The strained relationship between the U.S. and Iran also has the potential to improve. If both sides were able to prevent nuclear armament through

sanctions, it would be a triumph of international law and show that negotiations on complex, decades-old problems can work, if they are undertaken in good faith and with empathy.

"I think there's a lesson of hope here," Bhala said. "For almost 40 years our relationship with Iran has been extremely poor. I don't want to see these problems passed on to my daughter and her generation. This is a problem my generation should fix, and I think we can."

Provided by University of Kansas

Citation: Professor analyzes role of trade sanctions against Iran (2015, March 4) retrieved 19 April 2024 from <https://phys.org/news/2015-03-professor-role-sanctions-iran.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.