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International Sanctions against Iran under President
Ahmadinejad: Explaining Regime Persistence

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Abstract

This paper seeks to explain how Iran's regime persisted in the face of international sanctions during Mahmud Ahmadinejad's presidency, from 2005 to 2013. It reconstructs the interplay between the intensifying UNSC, US and EU sanctions and the targeted regime's strategies to advance the nuclear program and maintain intra-elite cohesion. Initially, the nuclear program was expanded due to high oil income in combination with explicit resistance to the presumed regime-change ambitions of the Western sanction senders. At the end of Ahmadinejad's presidency, the decline of foreign exchange earnings from oil exports and the continued regime-change scenario contributed to the neglect of this regime-legitimizing strategy in favor of the maintenance of intra-elite cohesion. My main argument is that once the US and EU oil and financial sanctions curtailed the cost-intensive further development of the nuclear program, Supreme Leader Ali Khamenei used these sanctions as an external stimulus to contain burgeoning factional disputes.

Keywords: Iran, international sanctions, authoritarian regimes, nuclear strategy, factional disputes

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Oliver Borszik

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1 Introduction

Since the founding of the Islamic Republic of Iran, all sorts of sanctions have been imposed on the country.¹ During Mahmud Ahmadinejad's presidency, from 2005 to 2013, Iran became one of the most sanctioned states worldwide. Intense sanctions and the Ahmadinejad administration's misguided socioeconomic policies severely harmed the country. Crude oil exports decreased sharply, the inflation rate increased, domestic production fell, unemployment grew, the currency decayed, and the prices of consumer goods rose. Yet this downturn did

1 I would like to thank André Bank and Christian von Soest for their invaluable comments and suggestions. This paper is a product of the research project "Ineffective Sanctions? External Sanctions and the Persistence of Autocratic Regimes," funded by the Fritz Thyssen Foundation. An earlier version of the paper was presented at the International Studies Association (ISA) Annual Convention in March 2014.

not result in the regime's downfall. So how did the regime manage to endure the sanctions? This paper draws on the literature on sanctions and their effects, on research on the strategies of authoritarian rule, and on country-specific sources, including Farsi-language documents and semistructured interviews with high-level Iranian and non-Iranian experts and decision makers in the issue area of Iran sanctions.²

Given the omnipresence of the incumbent Supreme Leader Ayatollah Ali Khamenei, whose political and religious claim to power is based on the Shi'ite concept "guardianship of the jurist" (*velayat-e faqih*), the competition of Islamist factions for government participation, the intricate web of Islamic and republican state entities, and the importance of the paramilitary Islamic Revolutionary Guards, Iran scholars have made many attempts to classify the regime. The labels have ranged from "sultanist" (Arjomand 2009: 188–191) to "theocratic" (Heydemann and Leenders 2013: 9) and "competitive authoritarian" (Tezcür 2012: 124) to "military" (Safshekan and Sabet 2010: 556). This variety points to the complexity of the regime, which defies any one-sided characterization. Building on Geddes's (1999) efforts to categorize authoritarian regimes and taking into account the legitimizing role of legislatures, parties, and elections in such regimes, Hadenius, Teorell, and Wahman (2013) have further developed a typology of nondemocratic rule. They differentiate between military dictatorships, personalist monarchies, and no-party, one-party, and multiparty regimes. By further elaborating on Diamond's (2002) and Levitsky and Way's (2002) notion of multiparty "hybrids" that range between highly authoritarian and strongly democratic, Gilbert and Mohseni (2011: 280) have studied the field of hybrid regimes more closely. They consider such regimes to constitute a type of their own and they distinguish this type from both democracies and authoritarian regimes. Iran's regime is thus a nondemocratic hybrid consisting of a tutelary clerical leadership and a limited multiparty system. It comprises the supreme leader, the president, and the key state entities involved in the political decision-making process, as well as the spectrum of Islamist factions with the potential to participate in the governing process. Hufbauer et al. (2007: 67) have defined the sanction objective of regime change as encompassing "not only the explicit targeting of a particular foreign leader but also structural changes that imply new leadership, most notably the embrace of democracy." In turn, regime persistence in Iran can be attributed to the loyalty of the political elite to the undisputed authority of Khamenei and the absence of any takeover challenging this constellation.

Tehran does not have a set nuclear strategy, which has left the door open for the inclusion of a military component. The office of the Supreme National Security Council (SNSC), Khamenei, President Ahmadinejad, and his predecessor, Mohammad Khatami, kept the decision-making process regarding the orientation of the nuclear program flexible over the last decade (Rohani 2013: 81, 113). However, the supreme leader had the final say on any crucial

2 The interviews were conducted during the author's research stay in Iran in October and November 2013.

decision, including the country's nuclear policy. Following Mahmud Ahmadinejad's victory in the June 2005 presidential elections, Tehran decided to resume the nuclear program and, at the same time, adopt an assertive foreign policy to establish Iran as a regional power in the Middle East (Kazemzadeh 2007: 435). Due to the subsequent breakdown of negotiations between Iran and France, Germany, and the UK (EU-3) on the restriction of Iran's nuclear activities, these EU states considered coercive measures against the regime. Given the ambiguity regarding the civilian or military dimension of the nuclear program, then US president George W. Bush successfully campaigned to refer the nuclear file from the International Atomic Energy Agency (IAEA) to the United Nations Security Council (UNSC) (Takeyh and Maloney 2011: 1304).

The UNSC referral paved the way for international sanctions. Following the UNSC's resolution 1696 in July 2006, which requested the suspension of uranium enrichment within one month – an ultimatum that Tehran allowed to elapse – the first UN nonproliferation sanction resolution was adopted in December 2006. In addition, the P5+1 came into being. It consisted of the five UNSC veto powers – China, France, Russia, the UK, and the United States – plus Germany (Meier 2013: 9–10). In order to influence Iran's nuclear decision-making process, the P5+1 pursued a dual-track approach that oscillated between engaging Iranian officials in negotiations and supporting sanctions. In this way, the United States, the UNSC, and the EU constituted an emerging Iran-sanctions regime. On the basis of UN sanctions resolutions related to the nonproliferation of nuclear weapons of mass destruction (WMD), the White House and the US Congress, as well as the EU, imposed a set of sanctions against Iran. This variety of sanction senders complicates the study of the influence of the sanctions on the target (Portela 2014: 8–9).

In light of the question of under which conditions sanctions are effective, sanctions researchers have assessed sanctions' successes and failures mostly from the sender perspective: the sanction actors, the measures taken, and the goals pursued. In this way, they have analyzed the effectiveness of unilateral and multilateral sanctions (Bapat and Morgan 2009) and of targeted and comprehensive sanctions (Drezner 2011; Hufbauer et al. 2007; Lektzian and Souva 2007; Peksen and Drury 2010; Portela 2014), as well as the importance of different sanction objectives such as democratization or nonproliferation (von Soest and Wahman 2014). Researchers have also studied the influence of commercially motivated "sanctions busters" or politically motivated "black knights" and their assistance to the sanctioned countries (Early 2011). The effects of sanctions on regime persistence have also been investigated from the perspective of the targeted and mostly nondemocratic regimes. For example, Allen or Escribà-Folch and Wright have argued that regime type matters. Different nondemocratic regimes adopt different strategies, such as increasing government expenditures or taking repressive measures to immunize their rule against the impact of external sanctions, and such tactics mediate the effects of sanctions on regime persistence (Allen 2008: 917; Escribà-Folch

and Wright 2010: 336). How external sanctions influence the targeted regime's power structure, however, has remained largely unexplored.

The focus on target countries and their reactions to the external measures is compatible with the premises of authoritarianism researchers. The latter argue that different regime types utilize different strategies to stabilize their rule (Escribà-Folch 2012; Gandhi and Przeworski 2007). Gerschewski (2013) has categorized these survival tactics and holds that alongside repression and co-optation, self-legitimizing strategies may thwart the danger of destabilization stemming from both domestic oppositional groups and from external threats. Due to the difficulty of gathering appropriate data, the policy performance of different nondemocratic regime types and the effects of this performance on regime persistence have remained mostly uninvestigated within this research strand (Croissant and Wurster 2013: 3).

The comprehensive international sanctions imposed on Iran provoked a debate among analysts and experts in the media, at think tanks (for example Bassiri Tabrizi and Hanau Santini 2012; International Crisis Group 2013; Khajepour et al. 2013 or Portela 2014), and in academic journals (for example Majidpour 2013; Maloney 2010 or Takeyh and Maloney 2011) on the consequences of these sanctions for the country. While the literature mainly addresses the efficacy of sanctions, the debate also points out that Iran's leadership has countered the sanctions through regime-based strategies (International Crisis Group 2013: 15–18; Khajepour et al. 2013; Majidpour 2013: 11–14; Maloney 2010: 142–144; Takeyh and Maloney 2011: 1309). The combined effects of the external and internal factors on regime persistence, however, remain uninvestigated for the most part. This paper seeks to fill this gap by reconstructing the interplay between the United States, UNSC, and EU sanctions and the sanction-tailored regime strategies to promote the nuclear program and to maintain intra-elite cohesion during Ahmadinejad's presidency. In doing so, it explains how the regime was able to persist in the face of intensifying sanctions.

2 Sanctions and Iran's Nuclear Strategy

After he came to power, Mahmud Ahmadinejad came to be known as one of the main representatives of the rising "principalist" (*osulgarayan*) faction, as he claimed a return to the values propagated by the late revolutionary leader Ayatollah Ruhollah Khomeini. He rediscovered low-income and paramilitary groups as the regime's core constituencies and promised to realize social justice by "bringing the oil wealth to people's tables" (Fürtig 2006: 5). The "principalists" viewed the nuclear program as the most important national asset and legitimized their takeover of the government by supporting the unilateral resumption of nuclear activities (Takeyh and Maloney 2011: 1307–1308). They accepted the imposition of three international UNSC sanction resolutions, related to the nonproliferation of nuclear weapons and supplemented by targeted unilateral US and multilateral EU nonproliferation sanctions, from 2006 to 2009. In fact, the "principalist"-oriented administration used the initial sanc-

tions measures as an opportunity to legitimize its strategy of promoting the nuclear program. The intensification of US sanctions from 2009 to 2011, the convergence of these sanctions with targeted and expanding EU restrictive measures, and the application of a human rights sanction component by both actors were interpreted by Tehran as Western regime-change efforts and led it, in turn, to develop the nuclear program to the threshold of potential nuclear weapons capability. However, the imposition of US and EU oil and financial sanctions from 2011 to 2013 curtailed the further development of the cost-intensive nuclear program and motivated the supreme leader to emphasize the maintenance of intra-elite cohesion.

2.1 Targeted Sanctions and the Advancement of the Nuclear Program

At the UN General Assembly in September 2005, Mahmud Ahmadinejad stated that “the dominating powers interpret Iran’s technologically impeccable and monitored endeavors in the nuclear field as nuclear weapons proliferation” and declared, “if some try to impose their own will on our nation through the language of coercion and threat, we will definitely reconsider our entire approach to the nuclear issue.”³ In January 2006, Tehran requested the IAEA to remove its seals from Iran’s nuclear facilities. Subsequently, President Ahmadinejad announced the resumption of uranium enrichment activities in Natanz. The Iranian side also withdrew from its talks with the EU-3 and rejected the P5+1’s June 2006 offer to enrich uranium in a Russia-based multinational consortium and supply the externally produced fuel to Iranian reactors (Meier 2013: 10). Those interviewed for this research indicated that these steps led to the initiation of UNSC sanctions. The United States, the UNSC, and the EU initially pursued the sanction objective of zero enrichment in Iran to force Tehran to demonstrate the peaceful nature of its nuclear program to the international community.⁴

In order to restrict Iran’s expansion of its nuclear program, the US Congress signed the Iran Freedom Support Act (IFSA) in September 2006.⁵ The IFSA sanctions package included targeted secondary sanctions against third states. It forced any third parties to endorse the US blacklisting of Iranian banks and refrain from any WMD technology transfer to Iran, and thus it essentially punished any financial, commercial, or technical assistance to Iranian persons and entities associated with proliferation-sensitive nuclear activities or the development of WMD delivery systems (International Crisis Group 2013: 8–9). This measure was preceded by ongoing unilateral US sanctions stemming from the detention of American diplomats during the occupation of the US embassy in Tehran in November 1979 by radical Iranian students. To resolve the hostage crisis and convince Khomeini to release the hostages, then

3 Full text of Doctor Mahmud Ahmadinejad’s lecture at the UN General Assembly, 17 September 2005, online: <<http://president.ir/fa/2393/>> (24 August 2014). This and all other Farsi-language excerpts translated by the author.

4 For an overview of the US, UNSC, and EU sanctions imposed on Iran from 2006 to 2013 as well as their triggers, targets, status, and overall economic impact see International Crisis Group 2013: 54–57.

5 IFSA, online: <http://treasury.gov/resource-center/sanctions/Documents/pl109_293.pdf> (24 August 2014).

president Jimmy Carter had adopted a dual-track approach. While pursuing negotiation, the United States froze regime assets, imposed travel bans, restricted financial transactions, and implemented a trade embargo banning exports from the United States as well as imports from Iran, including crude oil (Takeyh and Maloney 2011: 1299).

In December 2006, the UNSC adopted the first resolution on sanctions against Iran, resolution 1737.⁶ The resolution legitimized the implementation of targeted international sanctions and requested UN member states to prevent any assistance to Iranian enrichment-related, reprocessing, and heavy-water-related activities or in the development of WMD delivery systems. Targeted sanctions fall short of a comprehensive trade embargo and can be divided into personal sanctions that affect individuals or groups, selective sanctions that affect specific economic sectors, and diplomatic sanctions. This nonproliferation resolution mainly called upon the international community to prevent the supply of nuclear-related assistance to Iran, to impose travel bans and asset freezes on Iranian persons and entities involved in the nuclear and missile programs, and to prevent Iranian students from studying abroad in disciplines relevant to nuclear expertise. Reiterating the IAEA's concerns regarding the expansion of Iranian proliferation-sensitive nuclear activities, the UNSC adopted resolutions 1747 in March 2007 and 1803 in March 2008.

While the EU has imposed autonomous sanctions on different countries over the years, it has also authorized the implementation of multilateral EU restrictive measures on the basis of preceding UNSC sanction resolutions (Portela 2010: 19–20). This was the case with the EU sanctions against Iran. By imposing targeted nonproliferation sanctions against Iran in February 2007, the EU Council immediately endorsed UN resolution 1737. The EU's sanction objectives were to coerce Tehran to engage in meaningful negotiations with the P5+1 and to prevent an Israeli military strike against the country's nuclear facilities. The EU measures prohibited any assistance to the nuclear program and included the travel bans and asset freezes stipulated by the UNSC, which were complemented by an arms embargo (Bassiri Tabrizi and Hanau Santini 2012: 2; Portela 2014: 19–20). After his election in May 2007, French president Nicolas Sarkozy advocated stricter EU sanctions that would go beyond travel bans and asset freezes, and effectively influenced the EU's sanctions policy regarding Iran (Meier 2013: 9). Germany initially maintained a more cautious approach, which left the door open to encourage the Iranian regime's moderation through continued economic and cultural relations (Takeyh and Maloney 2011: 1311) and took into account the existing trade partnerships between EU members and Iran. Germany was the leading EU exporter of machinery and transport equipment to Iran, and Italy, Spain, and Greece were the main EU importers of

6 UNSC resolution 1737, online: <[http://un.org/ga/search/view_doc.asp?symbol=S/RES/1737\(2006\)](http://un.org/ga/search/view_doc.asp?symbol=S/RES/1737(2006))> (24 August 2014).

Iranian crude oil (Bassiri Tabrizi and Hanau Santini 2012: 4).⁷ Germany and the leading EU members, however, became alarmed by Mahmud Ahmadinejad's Holocaust denial and started to coordinate their sanction activities with the United States.

President Ahmadinejad dismissed the UNSC sanction resolutions as a "worthless piece of paper," and Khamenei stated, "we are unafraid of Western sanctions," because "we are able to create an opportunity out of this threat."⁸ The ruling "principalists" and Khamenei used the targeted nonproliferation sanctions, which initially excluded restrictions on the energy sector, as an opportunity to promote the advancement of the nuclear program. Iran's national budget is mainly based on the revenues from crude oil exports, and the political elite, for the most part, finances its policies using oil income (Akhavi-Pour and Azodanloo 1998: 75). For the costly enterprise of expanding the nuclear program and to compensate for the economic costs of international sanctions, the Ahmadinejad administration had historically high foreign exchange earnings from oil exports at its disposal (Amuzegar 2008: 50–51). During the Iranian year 1384 (2005/06), average oil production was 3.9 million barrels per day (BPD), and according to the Central Bank of Iran (CBI), oil export receipts for the year amounted to more than 53 billion USD. During the period from 2005/06 to 2011/12, which saw rising oil prices, 531 billion USD in oil revenues was generated, accounting for approximately 75 percent of the total export income. This sum significantly exceeded the 141 billion USD earned during Ayatollah Rafsanjani's presidency, from 1989 to 1997, and the 157 billion USD earned during Mohammad Khatami's presidency, from 1997 to 2005 (Torkan and Farnam 2012: 9–10).⁹

The Iranian political elite has long maintained the narrative that hostile Western governments and especially the United States and Israel are seeking to prevent nuclear progress in Iran and that the regime and the nation are foiling this ongoing external plot (Takeyh and Maloney 2011: 1306). At the beginning of Ahmadinejad's presidency, this narrative resurfaced among the political factions. The country's officials repeatedly expressed their view that compliance with Western demands would result not in the decline but rather in the intensification of sanctions. From the "principalist" perspective, concessions to the United States, the UNSC, or the EU with regard to the nuclear program would lead to additional Western demands in other domains such as human rights (Kazemzadeh 2007: 427). In March 2007, Khamenei referred to the sanctions regime, building on the narrative that the West was plotting against Iran's nuclear progress by means of economic sanctions, military

7 Until the implementation of the EU oil embargo in July 2012, average EU purchases of Iranian crude oil amounted to nearly 600,000 barrels per day, roughly one-fifth of Iran's total exports (International Crisis Group 2013: 13).

8 Khamenei, speech during a meeting of the people of Shiraz, 30 April 2008, online: <<http://farsi.khamenei.ir/speech-content?id=3427>> (24 August 2014).

9 The reliability of these data is unclear because the CBI has not clarified whether they have been adjusted for inflation.

threats, political pressure, and psychological warfare. On the psychological impact of sanctions, he stated,

Sanctions cannot deal a blow to us. Didn't they sanction us until today? We acquired nuclear energy under sanctions; we achieved scientific progress under sanctions; we achieved the country's broad reconstruction under sanctions. It is even possible that under certain conditions sanctions work to our advantage; from this perspective they can increase our ambition.¹⁰

The "principalist" Ahmadinejad administration used the secondary sanctions imposed on third states and entities by the US Congress as well as the UNSC's resolution 1737 as an opportunity to present the nuclear program to the domestic and regional audience as a symbol of national technological and scientific progress, regional leadership ambitions, and resistance to Western "global arrogance." Simultaneously, the supreme leader repeatedly renewed his legal opinion (fatwa) concerning WMD and clarified that Islam forbids the production and usage of such weapons, including nuclear weapons (Khalaji 2011: 14). During the commemoration of Khomeini's death in June 2006, he substantiated his claim that his country did not need to deploy a nuclear bomb to fulfill its ambitions: "We consider the application of nuclear weapons as contradictory to Islamic commandments. [...] We don't have the hegemonic intentions in the world like the Americans, who want to exert global tyranny and require a nuclear bomb; our nuclear bomb and our explosive power is our faith."¹¹

Originally, Tehran endeavored to develop the nuclear program in accordance with a civil nuclear model, combining technological progress in the field of nuclear energy production with scientific advances in the area of nuclear research, by means of governmental investment and development funding. This strategy was based on the assumption that Iran's oil exports would remain high and that oil revenues would flow unimpeded into the state coffers. The "principalists" also started from the premise that the leading EU countries would refrain from imposing comprehensive sanctions due to their existing trade relations with the Islamic Republic.¹² While accepting further US sanctions or UNSC sanction resolutions, the Ahmadinejad administration refused to make any concessions to the P5+1 regarding the advancement of the nuclear program. In this way, any US threats to impose tougher sanctions on Iran were rejected by chief nuclear negotiator Said Jalili, who saw no need to make any concessions to the P5+1 and remarked, "we welcome new sanctions."¹³ The Iranian regime

10 Khamenei, address to a gathering of pilgrims and neighbors at the shrine of Imam Reza, 21 March 2007, online: <<http://farsi.khamenei.ir/speech-content?id=3378>> (24 August 2014).

11 Khamenei, address during the ceremony marking the seventeenth anniversary of Imam Khomeini's death, 4 June 2006, online: <<http://farsi.khamenei.ir/speech-content?id=3341>> (24 August 2014).

12 Interview with Daniel Bernbeck, Executive Director of the German-Iranian Chamber of Industry and Commerce in Tehran, on 4 November 2013 in Tehran.

13 SPIEGEL Interview with Iran's Chief Nuclear Negotiator: "We Welcome New Sanctions," in: *Der Spiegel*, 30 September 2009, online: <<http://spiegel.de/international/world/0,1518,652104,00.html>> (24 August 2014).

also held the view that the UNSC and the EU countries had imposed sanctions only because of “pressure from the US government” or “pressure from the Israeli government and the Israeli lobby within Germany, France or Britain.”¹⁴ In the wake of resolution 1737, it claimed that the UNSC constituted an arbitrary institution controlled by the Second World War’s victorious powers.

The ruling “principalists” pursued the intensification of uranium enrichment activities as well as the installation of additional centrifuges in proportion to the intensification of sanctions. This was in contrast to the reformists’ give-and-take approach on the nuclear issue during the second half of Mohammad Khatami’s presidency. The “principalists” regarded the approval ratings in opinion polls on the advancement of the nuclear program as an acceptance of their sanctions-tailored approach to facilitating nuclear development and declared the negative consequences of sanctions for Iranians as a price people were willing to pay in order to enable their country’s “anti-hegemonic” foreign policy.¹⁵ The Ahmadinejad administration repeatedly used any nuclear progress to demonstrate that the “nation” was qualified to present its “nuclear model” to the world and, as a consequence, “break the monopoly” of the great powers over nuclear technology.

2.2 Intensified US and EU Sanctions and Nuclear Ambiguity

After taking office, Barack Obama sent a video message to the Iranians on the occasion of the New Year in spring 2009, in which he suggested direct talks on the basis of mutual respect and signaled that the US was not seeking regime change.¹⁶ Khamenei, however, reacted negatively to this offer, stating,

For 30 years they have imposed sanctions on our country, although these measures operated to our advantage. [...] They say they have reached out their hand toward the Iranian side. Well, what kind of a hand? If this extended hand is covered by a velvet glove but beneath is an iron hand, then it makes absolutely no sense.¹⁷

The US sanctions against Iran had contributed to the tightening of domestic surveillance of potential opposition groups within the country (Tezcür 2012: 126). Thus, reformist groups were intimidated, control over civil society activists was expanded, and, following Ahmad-

14 Interview with Mohammad Marandi, Dean of the Faculty of World Studies and Associate Professor at the Institute of North American and European Studies at the Faculty of World Studies, University of Tehran, on 2 November 2013 in Tehran. Interview with Fouad Izadi, Political Advisor to the Former Secretary of the SNSC and Chief Nuclear Negotiator, Said Jalili, and Associate Professor at the Institute of North American Studies at the Faculty of World Studies, University of Tehran, on 2 November 2013 in Tehran.

15 Interviews with Mohammad Marandi and Fouad Izadi.

16 Barack Obama offers Iran “new beginning” with video message, in: *The Guardian*, 20 March 2009, online: <<http://guardian.co.uk/world/2009/mar/20/barack-obama-video-iran>> (24 August 2014).

17 Khamenei, address to a gathering of pilgrims and neighbors at the shrine of Imam Reza, 21 March 2009, online: <<http://farsi.khamenei.ir/speech-content?id=6082>> (24 August 2014).

inejad's disputed reelection in June 2009, the emerging Green Movement (*jombesh-e sabz*) was suppressed on the basis of its having collaborated with hostile Western enemies (Golkar 2011). In November 2009, a negotiated swap deal between Iran and the United States ended in failure. Under the deal, Iran was to export its own low enriched uranium (LEU), with an enrichment rate of 5 percent, to a third country in order for the latter to produce medium enriched uranium (MEU), with an enrichment rate of 20 percent. The MEU was to be returned to Iran to power the Tehran Research Reactor.

In the wake of Khamenei's rebuff regarding dialogue with Washington, the crackdown on the oppositional Green Movement, the breakdown of the swap deal, and the disclosure of a hidden underground enrichment facility in Fordow, the United States and the EU coordinated their efforts to impose harsher sanctions and extended their measures to include a human rights component (International Crisis Group 2013: 12–13). However, they prioritized nonproliferation sanctions over human rights sanctions and shifted their main sanction goal from zero enrichment to preventing enrichment to higher levels (Meier 2013: 12–13). By arguing that there would “be a need to consider taking action” in the event that sanctions failed to stop the nuclear program's advancement, the Israeli government contributed to the intensification of the sanctions against Iran.¹⁸

Brazil and Turkey attempted to revive the collapsed nuclear swap deal. In May 2010 these two countries and Iran signed the Tehran Declaration, which was rejected by Washington and failed to materialize.¹⁹ Subsequently, the UNSC imposed its fourth and final sanction, resolution 1929, and extended the list of sanctioned entities involved in financial, economic, or technological activities related to Iran's nuclear and missile programs. Russia's and China's opposition to any further sanctions, however, prevented the UNSC from adopting additional resolutions. The US Congress, in turn, followed the resolution and approved the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA).²⁰ The act included enhanced secondary sanctions against third states that were still involved in economic and financial interactions with Iranian companies and banks. The restrictions affected investment projects in Iran's oil and gas sector, the sale of gasoline to Iran, and the provision of any other assistance to the regime in its efforts to advance its nuclear and missile programs and become self-sufficient in energy production. In addition, under CISADA as well as subsequent US executive orders, Washington imposed travel bans on, blocked the property of,

18 Barak: If Iran sanctions don't work, military action must be considered, in: *Haaretz*, 9 February 2012, online: <<http://haaretz.com/news/diplomacy-defense/barak-if-iran-sanctions-don-t-work-military-action-must-be-considered-1.410670>> (24 August 2014).

19 US rejects Iran nuclear deal brokered by Turkey and Brazil and sets up new sanctions, in: *The National*, 20 May 2010, online: <<http://thenational.ae/news/world/us-rejects-iran-nuclear-deal-brokered-by-turkey-and-brazil-and-sets-up-new-sanctions>> (24 August 2014).

20 CISADA, online: <<http://treasury.gov/resource-center/sanctions/Documents/hr2194.pdf>> (24 August 2014).

and restricted the financial transactions of Iranian individuals responsible for human rights abuses against the Green Movement.

The EU's restrictive measures went beyond the UN sanctions mandate. The EU resolve to intensify sanctions against Iran was preceded by Catherine Ashton's appointment to the post of EU High Representative of the Union for Foreign Affairs and Security Policy in December 2009, after Javier Solana (Meier 2013: 15). In July 2010, the EU Foreign Affairs Council imposed almost comprehensive sanctions in the form of a trade ban as well as banking restrictions that affected Iran's energy, financial, military, transportation, and insurance sectors.²¹ The EU added a human rights component to the existing sanctions package in April 2011 in order to prevent individuals considered responsible for human rights violations against demonstrators, journalists, human rights defenders, or students affiliated with the Green Movement from entering or transiting through EU member countries and to freeze their economic resources.²²

During this phase of sanctions, the Iranian officials developed a reading of the sanctions whereupon the West and especially the US government were ultimately aiming to achieve regime change in Iran. This perception was shared across the country's political factions. The individuals interviewed for this research confirmed this view directly or indirectly. The US Congress measures, as well as the EU sanctions, Khamenei explained in his annual New Year's speech in March 2011, were intended to pit the Iranian people against the "system":

In spring 2010 they intensified their sanctions against Iran according to their agenda. [...] They assumed that they could place a burden on the Iranian nation with the instrument of sanctions and tighten the noose on the Iranian nation so much that it would protest against the system and the Islamic Republic. This was their aim.²³

Following the breakdown of the US–Iran swap deal, Iranian engineers started to self-sufficiently produce MEU in Natanz in February 2010. They had brought the nuclear program to the threshold of potential nuclear weapons capability. The country's leadership officially argued that Iran could not rely on an external supply of nuclear fuel for the nuclear medicine treatment of Iranian cancer patients and, therefore, had to expand uranium enrichment to the 20 percent level. For example, the "principalist" Fouad Izadi claimed that "20 percent enrichment was not really an Iranian goal. Iran ended up enriching to 20 percent because of the fact that outside powers did not want to sell Iran medical isotopes for nuclear

21 Council Decision of 26 July 2010, online: <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:195:0039:0073:EN:PDF>> (24 August 2014).

22 Council Decision 2011/235/CFSP, online: <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:100:0051:0057:EN:PDF>> (24 August 2014).

23 Khamenei, address at the shrine of Imam Reza, 21 March 2011, online: <<http://farsi.khamenei.ir/speech-content?id=11804>> (24 August 2014).

medicine.”²⁴ Regarding the interrelation between the nuclear program and the sanctions, he explained,

Hopefully the European experts and officials will realize that by not sanctioning Iran and by monitoring Iran more they can ensure that Iran will not develop a nuclear weapons program. You know, inside the country we have people who are openly suggesting that Iran should get out of the NPT [Non-Proliferation Treaty], and when you say that, it means that Iran should probably go towards a nuclear weapons program.²⁵

Similarly, during a meeting of state officials, Khamenei stated that by sanctioning Iran, the US and the EU had only “encouraged” his country to produce MEU.²⁶ From the perspective of Iran’s regime, the nuclear program’s transformation into a “symbol of national pride” was a key effect of the interplay between intensifying sanctions and nuclear advancement.²⁷ This outcome included the expansion of the program towards potential nuclear weapons capability.

2.3 Oil and Financial Sanctions and the Shift to the Civilian Nuclear Component

During the final phase of the sanctions episode analyzed here, both the US and the EU pursued the sanction objective of restricting Tehran’s ability to fund the further development of the nuclear program and resorted to enhanced oil and financial sanctions. Within the framework of the consecutively passed US Congress National Defense Authorization Act (NDAA), which was signed by Obama in December 2011, the Iran Freedom and Counter-Proliferation Act (IFCPA), and the Iran Threat Reduction and Syria Human Rights Act (ITRSHRA), Washington planned to curtail Iran’s oil revenues by prohibiting foreign banks from performing transactions with the CBI, which received the country’s oil receipts to a great extent.²⁸ In the context of these sanctions, the Obama administration forced European and Asian countries to refrain from importing Iranian crude oil or at least to reduce their oil imports. As a consequence, the United States effectively caused the EU to prevent Iran from circumventing its sanction measures (Bassiri Tabrizi and Hanau Santini 2012: 2).

Given Iran’s sustained progress at uranium enrichment to the level of 20 percent, Germany and the other leading EU countries considered broadening their restrictive measures

24 Interview with Fouad Izadi.

25 Interview with Fouad Izadi.

26 Khamenei, speech at a meeting of state officials, 18 August 2010, online: <<http://farsi.khamenei.ir/speech-content?id=9893>> (24 August 2014).

27 Interview with Hesamoddin Ashna, Cultural Advisor to President Hassan Rohani and Head of the Center for Strategic Studies at the President’s Office, on 26 October 2013 in Tehran.

28 NDAA, online: <<http://gpo.gov/fdsys/pkg/BILLS-111hr1enr/pdf/BILLS-111hr1enr.pdf>> (24 August 2014); IFCPA, online: <<http://gpo.gov/fdsys/pkg/BILLS-112hr4310enr/pdf/BILLS112hr4310enr.pdf>> (24 August 2014); ITRSHRA, online: <http://treasury.gov/resourcecenter/sanctions/Documents/hr_1905_pl_112_158.pdf> (24 August 2014).

and gradually adopted a “discouragement strategy” vis-à-vis the Islamic Republic.²⁹ In January 2012, the EU Foreign Affairs Council decided to impose an embargo on Iranian crude oil and petrochemical products, which took effect in July 2012 and was accompanied by, among other things, an insurance ban for oil shipments and a freeze on the CBI’s assets.³⁰ In March of that year, the Belgium-based Society for Worldwide International Financial Transfers (SWIFT) excluded Iranian banks from its network and, thereby, effectively prevented any foreign transactions with them through this network (International Crisis Group 2013: 13–14). Due to the importance of crude oil revenues for the Iranian economy, the US and EU oil and financial sanctions went beyond the targeted selective sanctions.

Following the implementation of these expanded US and EU sanctions, China played the role of a commercially motivated “sanctions buster.” By purchasing crude oil from Iran, Beijing became a profiteer of Tehran’s predicament regarding the dwindling number of oil importers. In the context of its emerging economic and energy cooperation with China, Iran concluded disadvantageous contracts so as to be able to export its oil. For example, Iranian banks had to pay interest to the Chinese state bank for deposits of yuan stemming from the sale of oil below the world market price level. In addition, these deposits could be used only for the purchase of third-class Chinese products for higher prices than usual. Moreover, China secured megaprojects, such as the construction of dams or metro systems, in Iran.³¹

While the supreme leader perpetuated the narrative that sanctions would only make Iran stronger and more self-sufficient in terms of nuclear development and domestic production, the regime focused anew on the nuclear program’s civilian scientific-technological component. By emphasizing the importance of funding Iran’s academic activities, including nuclear research, Khamenei put scientific progress at the beginning of an envisaged value chain (Sadjadpour 2009: 11, 22). Such a chain would contribute to creating national wealth in the future, irrespective of Iran’s oil revenues and the policies of major Western countries:

The point with regard to scientific progress is that the chain of science, technology, production, and trade expansion – a very important chain – is taking shape. In other words, you create knowledge, change it into technology, boost production, supply products to the global market, and create wealth for the country.³²

In the short term, however, the supreme leader regarded the US and EU oil and financial sanctions as threatening and prompted the Ahmadinejad administration to take these measures seriously. In March 2013, he conceded that the ongoing sanctions had had an impact: “Yes, the sanctions were not unimpressive. If they want to be satisfied, fair enough. The

²⁹ Interview with Daniel Bernbeck.

³⁰ Council Decision 2012/35/CFSP, online: <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF>> (24 August 2014).

³¹ Interview with Daniel Bernbeck.

³² Khamenei, address at the shrine of Imam Reza, 21 March 2011, online: <<http://farsi.khamenei.ir/speech-content?id=11804>> (24 August 2014).

sanctions eventually had an influence; but this is also a basic problem within ourself. Our economy is faced with the problem of being dependent on oil.”³³ The nuclear program’s design and the US and EU oil and financial sanctions resulted in estimated budgetary expenses of roughly 400 billion USD.³⁴ This sum constituted most of the country’s revenues from the export of crude oil during Ahmadinejad’s presidency.

Indeed, the program expanded significantly during the president’s time in office. Whereas in 2005 fewer than 300 centrifuges for uranium enrichment were in place, at the end of Ahmadinejad’s presidency this number amounted to roughly 19,000. The stockpile of LEU for manufacturing fuel rods for the nuclear power station in Bushehr expanded from 800 kilograms in 2008 to more than 8,000 kilograms in 2013. In addition, Iran had produced more than 100 kilograms of MEU by that time. However, the regime paid high a price for these achievements. During Ahmadinejad’s presidency, oil exports declined from 3.9 million BPD to less than 1 million BPD. The shortage of convertible foreign exchange earnings in the form of euros and USD due to the severe drop in oil exports further fueled Iran’s inflation rate, which increased from 12 percent in 2010 to roughly 30 percent in 2013. As a consequence, the prices of consumer goods rose, domestic production declined, and unemployment increased. This economic decay not only harmed the population but also constrained the “principalist” strategy of supporting further investment in the nuclear program and defying the sanctions.

3 Sanction Pressure and the Maintenance of Intra-Elite Cohesion

Iran’s political elite shared in the assumption that the nuclear program or human rights violations were only pretexts for the US and the EU to impose comprehensive sanctions and that these measures were ultimately intended to weaken the Islamic Republic. In the context of the firm belief that these two actors were pursuing their regime-change objective and planned to further intensify their punitive measures, as well as the declining financial resources available to advance the nuclear program, Khamenei propagated the cost-effective strategy of maintaining intra-elite cohesion (Keynoush 2012: 130). Given the parliamentary elections scheduled for spring 2012 and the presidential elections in 2013, Iran’s hybrid regime needed to maintain a sufficient degree of political stability during the final phase of Ahmadinejad’s presidency.

In contrast to a targeted country’s political disintegration, value deprivation through external economic sanctions can instead lead to political integration due to “social conditions under which much more sacrifice is possible” and further conditions including the follow-

33 Khamenei, address at the shrine of Imam Reza, 21 March 2013, online: <<http://farsi.khamenei.ir/speech-content?id=22233>> (24 August 2014).

34 Iran and the West: Dismantling the Wall, in: *The Economist*, 21 February 2014, online: <<http://economist.com/news/middle-east-and-africa/21596973-hassan-rohani-has-changed-mood-iran-he-faces-opposition-dismantling>> (24 August 2014).

ing: “1. The attack from the outside is seen as an attack on the group as a whole, not on only a fraction of it; 2. There is very weak identification with the attacker, preferably even negative identification; and 3. There is belief in the value of one's own goals in the sense that no alternative is seen as better” (Galtung 1967: 389). By declaring the sanctions an external attack against the revolution and the entire system, the supreme leader evoked a “rally around the flag” effect. In this way, Khamenei used the sanctions as an external stimulus to prompt the political elite to do away with the latent intrafactional disputes and appealed to the Iranian electorate to participate extensively in the upcoming parliamentary elections and thus “discourage” the West.³⁵

In their capacity as platforms for debate – which can mediate intra-elite conflicts, avoid the strengthening of a single faction, and facilitate regime loyalty – relatively competitive electoral campaigns and elections can stabilize nondemocratic regimes (Gerschewski 2013: 16, 22). The intensifying US and EU sanctions had provoked a vigorous debate among Iran’s political elite about the policy performance of the ruling “principalists” (Maloney 2010: 138). As soon as the Ahmadinejad administration’s economic mismanagement, in combination with the negative consequences of the sanctions for the Iranian economy, became evident at the turn of the year 2011/2012, Khamenei, in collaboration with influential regime insiders, covertly or openly criticized the president and his advisor, Esfandiar Rahim Mashaei, for their populist socioeconomic policies. The leading critics were the former centrist president Rafsanjani; the conservative chairman of parliament, Ali Larijani; his brother-in-law and conservative parliamentarian, Ali Motahari; and his cousin and conservative parliamentarian, Ahmad Tavakkoli. They especially criticized the costly direct cash payments from the state to the Iranian citizens, intended to compensate for the reduction of subsidies on vital consumer goods and energy products, as well as the hyperinflation.³⁶ The criticism of Ahmadinejad and Mashaei was staged in the media, and both were labeled ringleaders of a “deviant current” (*jaryan-e enherafi*). They were even accused of having consciously induced their country’s economic crisis and of following a hidden agenda to overthrow the regime.³⁷

The economic pressure of the European trade sanctions along with the comprehensive oil and financial sanctions imposed by the US and the EU had translated into political pressure. Iran’s leadership, however, directed this pressure against the ruling Ahmadinejad administration. The denunciation of the president and his subfaction was reflected in the results of the parliamentary elections, which saw roughly a third of the 5,000 registered candidates disqualified by the Guardian Council. The voter turnout was officially more than 60 percent,

35 Khamenei, Friday prayer in Tehran, 3 February 2012, online: <<http://farsi.khamenei.ir/speech-content?id=18923>> (24 August 2014).

36 Motahari: The government is responsible for the situation of the economy, in: *Tabnak*, 5 October 2012, online: <<http://tabnak.ir/fa/news/276737>> (24 August 2014).

37 Motahari: The deviant current is a faction that has a special way of thinking, in: Fars News Agency, 2 October 2012, online: <<http://farsnews.com/newstext.php?nn=13910710001020>> (24 August 2014).

and the election outcome was the defeat of “deviant principalists” close to Ahmadinejad and the victory of conservative “principalists” loyal to Khamenei. The latter group obtained a three-quarters majority in parliament (Fürting 2012: 6). The election outcome and the supreme leader’s interpretation of it, according to which the external sanctions had not managed to “separate the people from the system,”³⁸ had fulfilled an important purpose for the regime. Ahmadinejad and his team could be held accountable for their policies in the context of the electoral process and the parliamentary elections. The conservative “principalists,” including Ahmadinejad’s outspoken critics, rallied behind Khamenei and, thereby, produced a sufficient degree of stability in the search for solutions to reduce the pressure from the external sanctions and deal with the economic crisis (Keynoush 2012: 133).

4 Conclusion

The analysis of the interplay between the sanctions imposed by the UNSC, the United States, and the EU and Iran’s regime strategies sheds light on the significance of the former for the workings of the latter during the period investigated. In the course of Mahmud Ahmadinejad’s presidency, the Iranian leadership first pursued a self-legitimizing nuclear strategy and then the transition-oriented tactic of maintaining intra-elite cohesion. Tehran pursued both key strategies as a result of (1) the limitation of oil revenues through sanctions and (2) the presumed sanction objective of regime change. Going beyond the widely accepted notion that a targeted regime pursues a controversial policy and then the sender imposes sanctions, the study has shown how Iran’s targeted regime tailored its strategies in order to persist against the background of external sanctions.

The nuclear program was initially expanded due to high oil income as well as the perception of Supreme Leader Khamenei and the ruling “principalists” that the sanctions were aiming for regime change. The UNSC sanction resolutions and the targeted US and EU non-proliferation sanctions, which were supplemented by a human rights component, thus stimulated the expansion of the nuclear program. In the face of the converging and intensifying US and EU sanctions, additional centrifuges were installed and uranium enrichment was expanded to the 20 percent level, which brought the nuclear program to the threshold of potential nuclear weapons capability. The Ahmadinejad administration pursued the nuclear program expansion in order to counteract sanctions as a foreign policy instrument, while deliberately accepting the economic costs of the tightening sanctions.

The US and EU oil and financial sanctions resulted in the decline of Iran’s oil revenues and curtailed the cost-intensive further development of the nuclear program. Moreover, these sanctions contributed to the continued perception among the country’s leadership that

38 Khamenei, address during a meeting of citizens in Azerbaijan, 16 February 2013, online: <<http://farsi.khamenei.ir/speech-content?id=22042>> (24 August 2014).

regime change was the sanctioning actors' goal. Once the oil and financial sanctions slowed the nuclear program's advancement, Khamenei emphasized the maintenance of intra-elite cohesion during the end phase of Ahmadinejad's presidency. This finding complements the explanations of sanctions and authoritarianism researchers for regime persistence. Both research strands have identified different single strategies used by various nondemocratic regime types to immunize their rule against internal and external threats (Allen 2008; Escribà-Folch and Wright 2010; Escribà-Folch 2012; Gandhi and Przeworski 2007 or Gerschewski 2013). The analysis of the critical junction between the performance-oriented and self-legitimizing nuclear strategy and the transition-oriented approach to maintaining intra-elite cohesion offers an additional explanation for the persistence of a hybrid regime.

The costly and misguided nuclear and socioeconomic policies of the Ahmadinejad administration accounted partly for Iran's economic decline, which was also partly produced by the comprehensive US and EU sanctions and generated popular frustration. This discontent was accompanied by a "rally around the flag" effect among the country's political elite, which was directed neither completely against the external Western sanction actors nor against the regime as a whole. Rather, this sentiment translated into political pressure, which was directly and solely channeled toward Ahmadinejad and his subfaction. Due to the multiparty nature of the regime, the president could be made the scapegoat for the existing sanctions, whereas Khamenei remained relatively firmly in the saddle. Thus, the sanctions did not put the regime in its entirety under pressure. The supreme leader's tactic of using the intensified US and EU sanctions, which he presented as an attack on his country and its regime, in order to maintain intra-elite cohesion was successful to some extent as it provided a reason for the regime and its factions to reorganize.

The remaining factions, which were largely excluded from political decision making during Ahmadinejad's presidency, constituted an alternative choice for the Iranians during the competitive presidential elections in June 2013. In the wake of Ahmadinejad's downfall and as an immediate response to the culminating sanctions, a brief consensus emerged between conservative "principalists," technocratic centrists, and reformists. Impressed by the economic impact of the US sanctions and especially the comprehensive EU sanctions, they agreed on the necessity of revising the defiant nuclear strategy and reversing the undesirable economic decline.

The election outcome was an official voter turnout of 72 percent and the victory of Hassan Rohani with a 50.7 percent majority in the first round. He embodies the existing consensus among the political elite. Hesamoddin Ashna, the cultural advisor to the new president, has interpreted this result as a strong mandate, which indicates that the "overall legitimacy of the regime" has increased.³⁹ The election of the centrist president, who has represented Khamenei in the SNSC since 1989 and is loyal to the supreme leader, as an alternative

39 Interview with Hesamoddin Ashna.

choice within the existing factional spectrum has contributed to the persistence of the hybrid regime.

Rohani is seeking a rapprochement between the political factions and between the regime and the electorate. In order to generate economic growth while at the same time securing Iran's pursuit of uranium enrichment and maintaining large parts of the nuclear program, the Rohani administration has adopted the new approach of entering into constructive dialogue with the P5+1 in order to achieve the gradual lifting of the UN, US, and EU sanctions.⁴⁰ Should Hassan Rohani succeed in finalizing the interim nuclear deal, which was signed between Iran and the P5+1 on 24 November 2013,⁴¹ in the form of a permanent and comprehensive agreement to constrain Iran's overt or covert nuclear-related activities in exchange for sanctions relief, he will have consolidated his position. The importance of the popularly elected president – who represents one of the country's competing Islamist factions and may establish a division of labor in the political decision-making process, especially between the president, the supreme leader, and the SNSC – is a stabilizing factor for the hybrid regime's blend of tutelary theocracy and limited multiparty system.

40 Interview with Hesamoddin Ashna.

41 Full text of the "Joint Plan of Action" online: <http://.irna.ir/en/News/80918859/Politic/Full_text_-of_Iran-5_1_agreement_in_Geneva> (24 August 2014).

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Interviews

Due to the ongoing nuclear negotiations between Iran and the P5+1 and the sensitivity of the issue of sanctions and their effects on the Iranian regime, only a few of the potential interview partners agreed to be interviewed. One European diplomat who agreed to be interviewed requested that he remain anonymous.

I1: Dr. Hesamoddin Ashna, Cultural Advisor to President Hassan Rohani and Head of the Center for Strategic Studies at the President's Office. Interviewed on 26 October 2013 in Tehran.

I2: Dr. Mohammad Marandi, Dean of the Faculty of World Studies and Associate Professor at the Institute of North American and European Studies at the Faculty of World Studies, University of Tehran. Interviewed on 2 November 2013 in Tehran.

I3: Dr. Fouad Izadi, Political Advisor to the Former Secretary of the SNSC and Chief Nuclear Negotiator, Said Jalili, and Associate Professor at the Institute of North American Studies at the Faculty of World Studies, University of Tehran. Interviewed on 2 November 2013 in Tehran.

I4: Daniel Bernbeck, Executive Director of the German–Iranian Chamber of Industry and Commerce in Tehran. Interviewed on 4 November 2013 in Tehran.

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