

## **THE IMPACT OF THE NEW INTERNATIONAL SANCTIONS ON IRAN**

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The Syrian blood-bath and the critical danger of overflow of the crisis to the Middle East as a whole have put the Iranian nuclear issue in second place in media attention. In addition, discussions behind the scenes of the last session of the United Nations General Assembly in September have temporarily removed the prospect of an Israeli strike. More than ever, the fear of the mullah's regime developing atomic weapons weighs over the fragile area, which is still fighting to cushion the shock of the Arab revolutions. Thanks to the Shia relays in Syria, Lebanon, Bahrain and Saudi Arabia, Iran continues in effect to threaten the security and stability of its neighbors, with no indication that an agreement in the short term on the abandonment of its uranium enrichment activities will be reached.

After his accession to power in 2009, Obama emphasized the strategy of "helping hand" to Tehran. The failure of this policy and the impasse in the negotiation process, however, has meant that the White House has had to harden its tone and adopt with its European allies the arsenal of the most stringent sanctions since the hostage crisis of 1980. Since the beginning of the presidential campaign in the United States, the Republican candidate Mitt Romney denies the efficacy of this approach and believes it requires actions that "actually would handicap the country" to force it to abandon its nuclear ambitions. On the eve of the U.S. election, it is necessary to assess the actual impact of sanctions on the Iranian economy and to identify strategies used by Tehran to mitigate the effect.

### **Economy's ability to withstand Iranian sanctions**

The new sanctions are aimed primarily at oil and gas sectors, which remain the main drivers of financial returns from Iran despite a decline in production. The United States obtained several of their allies (Turkey, Brazil, South Korea, etc.) with a significant decrease in their imports of Iranian oil. The EU for its part prohibits the import, purchase or transport of Iranian natural gas by its 27 Member States, as well as the activities of finance and insurance related to the gas industry. Washington and Brussels have also targeted the maritime transport capabilities of the country and have strengthened the embargo on its supplies of steel and aluminum. Finally, it is worth noting that the list of international banks that conduct illegal financial transactions with Iran has been updated.

This bundle of restrictive measures has had devastating effects on the Iranian economy: lower oil revenues and industrial production, uncontrolled inflation and collapse of the value of the currency, rampant unemployment, etc. The deterioration of the economic situation has not yet created a feeling of discontent sufficient to cause a political upheaval comparable to the "Arab Spring." At the beginning of October, inflation and the loss of 60% of the value of the Rial in the space of eight days, however, resulted in anti-government demonstrations. Faced with this catastrophic situation, every day more voices denounced the mismanagement of the regime and raise the need for a compromise with the West to end a "resistance economy" whose impact is felt primarily by the population.

### **Resilience of the system and avoidance strategies**

Playing on nationalistic sentiments, the religious authorities have so far managed to contain part of the popular anger. On October 10, Ayatollah Ali Khamenei, Supreme Leader of the Islamic Revolution, accused Europe and the United States to take the pretext of the nuclear program to shoot down opponents objected to their "global hegemony." On October 25, several members of the top Shiite clergy continued to denounce the sanctions in their sermons of Eid al-Fitr. Ayatollah Mohammad Emami-Kashani, a prominent member of the "Assembly of Experts", asserted that the country would be able to pass this test if there was "unity and solidarity". Despite these claims, tensions have accumulate at the top of the state, which is evident by the ban imposed by the judiciary on President Mahmoud Ahmadinejad to visit his media adviser Ali Akbar Javanfekr in Evin prison.

Beyond the rhetoric, Iran has also developed complex strategies to minimize the effects of the sanctions on its economy. Many Iranian companies have installed themselves in Turkey to circumvent import bans on sensitive items. Tehran has also multiplied its efforts to develop domestic production and reduce its dependence on foreign imports. As Reuters reported on October 26, Tehran has strongly increased its purchases of Ukrainian coking coal to supply its steel mills and achieve the production objectives. Imports of raw materials still face the weakening of the maritime sector. They also require the implementation of complex financial mechanisms that primarily benefit the various political clans that share control of the country.

### **The weakening of the regime threatens peace**

A few months before the end of the mandate of Mahmoud Ahmadinejad and the presidential elections of 2013, the system is sending signs of increasingly weakening and nervousness. General Mohammed Ali Jafari, commander of the Guard Corps Islamic revolution, has publicly admonished those who had "succumbed to the pressures of the economic war waged by the United States." Newspapers close to the Supreme Leader of the Revolution have also published editorials condemning any hint of compromise. The multiplication of such talk demonstrates the loss of influence of the President of the Republic and desire to takeover power by the Conservatives rallied by Ayatollah Khamenei, after more than a year of shadow war which engaged the various branches of government.

For 10 years, the strong resilience of the Islamic Republic has allowed them to conduct an endless game of cat and mouse in the talks conducted under the auspices

of the International Atomic Energy Agency (IAEA). The installation time of economic sanctions, however, represents a major threat to a regime whose internal divisions have come to light. Under these conditions the United States and Europe have no reason to change their approach as Teheran has not abandoned its nuclear program effectively.

The capacity of Iran and the excitement shown by its religious and military elites are indicative of the risk of a new escalation in the event of internal disturbances too alarming. We can therefore fear that Iran persists in the worst strategy by taking advantage in the mess that the Syrian civil war has plunged the region into. Under such conditions, the threat of an armed confrontation with Israel and the West will return to the forefront of global concerns after the U.S. elections, unless the most rational elements of the regime are not able to build on the economic failures of the current leaders to place themselves at the head of the state.

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