HELPING THE MULLAHS, HURTING THE POOR

While the U.S. and many European countries believe that Iran's nuclear ambitions can be restrained by increasing sanctions aimed at the regime's decision-makers, Tehran continues to outwit them without changing its policies. The sanctions are not only failing to achieve their stated aims, they are also strengthening a government that has become more despotic since the 2003 U.S.-led invasion of Iraq.

The simple fact is that we live in a highly interconnected world where diverse markets intermingle. Any attempt to exert financial pressure on Iran can be easily circumvented through third parties and surrogate agencies, mostly operated by Iranian residents in Middle East, Europe, and North America, some of whom maintain informal ties with the Tehran establishment. Embedded in the Iranian private sector and active throughout the region, these operatives play a pivotal role in advancing the economic interests of the government.

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Consider the following examples. Under American economic sanctions, any direct or indirect financial transaction between Iran and the U.S. is strictly prohibited. However, through the bank accounts of numerous Iranian-Canadians, financial transactions between the two countries are made on a daily basis. Exports of American goods and services (other than academic, educational, and food products) to Iran are not permitted, but Iranians enjoy American brands such as Calvin Klein and Guess thanks to the entrepreneurialism of Iranian residents and Arab citizens of the United Arab Emirates (UAE) who import the goods via the Iranian port cities in the south.

Iranians watch American-made movies (illegally) imported from Turkey, while the Islamic Republic's state-run television (without the permission of the American entertainment industry) shows the latest Hollywood movies, such as Spider Man 3, to an Iranian public eager for anything American.

There is more. Microsoft cannot export anti-filter software technology to Iran in order to help Iranians contravene government Internet restriction, but Iranian internet service providers receive free American filtering software, bought in the UAE, from the regime to enforce censorship online. Credit card transactions through an American bank account in Iran are prohibited by U.S. law, but Iranian-Americans can buy airplane tickets for their family members in Tehran using an American Express card issued by an American bank.

Most American-owned companies like Nike and General Electric with marketing networks in Europe and the Middle East are...
barred from opening stores in Iran, but their products, some of which are produced in China, are sold at Iranian stores with the help of the Islamic Revolutionary Guard Corps (IRGC), another target of U.S. sanctions, which controls the ports of Bandar Abbas and Bushehr. At these commercial ports, the IRGC allows smugglers to ship American brands from Gulf countries such as Bahrain and Qatar – both U.S. allies – but only after the smugglers pay heavy fees. Later, a portion of the revenues is deposited to the bank account of the office of Ayatollah Ali Khamenei, the spiritual leader of the Islamic Republic and the most powerful person in Iran's autocratic state apparatus.

Meanwhile, the infamous Amaken (an urban branch of the IRGC which is in charge of punishing "un-Islamic" behavior) search city stores and confiscate many of these imported products – such as blond-haired Barbie dolls – for propagating "Western immorality." The contraband is then clandestinely resold by the Amaken for a higher price. Some of the profits made from the sale of American brands are later channeled to the IRGC's engineering firms, which make even more money for the elite paramilitary corps.

There is no way to sanction the Iranian government’s economic operations without a universally comprehensive sanctions regime, which is virtually impossible because we live in a world where the balance of economic power is gradually shifting away from Western dominance and becoming more globalized...

In reality, the regime has used the sanctions to advance itself in an increasingly globalized world. Despite the U.S. pushing harsher measures through the UN Security Council to economically isolate the country, the Iranian regime continues to circumvent the pressures and, in fact, turn them to its benefit. If anything, the sanctions are becoming the best source of economic revenues for the Islamic Republic.

Yet the sad thing about the sanctions is not how they ineffectively target the regime’s policies, but the extent to which they hurt ordinary Iranians. As in pre-invasion Iraq, when the UN sanctions deprived Iraqis of basic goods and services and strengthened the Iraqi regime, powerless Iranians face economic destitution. In a country that is known for its pro-American attitude, Iranians are getting ready for a bleak future, a future that may include the imposition of even tougher sanctions by another American government – unless the next administration has the will to negotiate with Tehran.

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