

# SANCTIONS: FACT OR FICTION

UNITED  
AGAINST  
NUCLEAR  
**IRAN**

## Table of Contents

|   |   |
|---|---|
| Fiction 1: Economic Crisis.....         | 1 |
| Fiction 2: Healthcare System .....      | 1 |
| Fiction 3: Medicine Shortages.....      | 2 |
| Fiction 4: Food Shortages.....          | 2 |
| Fiction 5: Studying Abroad.....         | 3 |
| Fiction 6: Internet Sanctions .....     | 3 |
| Fiction 7: Cost to United States .....  | 4 |
| Fiction 8: Empower Iran .....           | 4 |
| Fiction 9: Sanctions Ineffective .....  | 4 |
| Fiction 10: Ineffective Bargaining..... | 5 |

## Fiction 1: Economic Crisis

*The economic crisis in Iran is a result of sanctions and will only be resolved once sanctions are unwound.*

**FACT:** According to Saeed Laylaz, an economist and informal advisor to President Rouhani, “less than 10 per cent of our economic difficulties are due to sanctions” as “the first signs of economic crisis appeared in 2007, five years before the sanctions.” Iran’s recession “started in the summer of 2011, exactly one year before the sanctions hit.” According to a study on the impact of sanctions on Iran, “during the bulk of the existence of the Islamic Republic, poor government policies and inefficient and corrupt institutions far outweighed the impact of sanctions in impeding economic growth, producing a dysfunctional and vulnerable economy, and undermining the economic well-being of Iranians.” Under the Joint Plan of Action, Iranian authorities have utilized the proceeds of sanctions relief for the benefit of Ayatollah Khamenei’s massive business empire, rather than the Iranian people.

## Fiction 2: Healthcare System

*Sanctions, not regime mismanagement, are solely responsible for the decline in the effectiveness of Iran’s healthcare system.*

**FACT:** Rampant government corruption and mismanagement have caused a crisis in healthcare in Iran. Journalist Roger Cohen of The New York Times states that “mismanagement has been the curse of Iran” and describes the country’s nuclear program as “a colossal exercise in mismanagement... The cost of generating electricity from the nuclear facility at Bushehr has been beyond astronomical.” According to reports, “[R]egime officials continue to enjoy world class healthcare while choking off medical funding to ordinary citizens

... Drugs from Revolutionary Guard hospitals are dumped on the black market, where they are sold to health groups and civilians at three times the price.” In 2012, Iran’s Minister of Health Marzieh Vahid was fired after **revealing** that Iran’s Central Bank delivered only \$600 million worth of imported medicine and medical supplies out of the \$2.5 billion earmarked in Iran’s annual budget. Vahid stated, “I have heard that luxury cars have been imported with subsidized dollars but I don’t know what happened to the dollars that were supposed to be allocated for importing medicine.” In a 2013 interview, the former head of Iran’s Central Bank Mahmoud Bahmani **confirmed** that Iran was importing large quantities of cars and luxury products in place of medicine and other essential products.

## Fiction 3: Medicine Shortages

*Sanctions are designed to punish Iranian citizens including by causing medicine shortages in Iran.*

**FACT:** The U.S. does not target Iranian imports of humanitarian items, including medicine and medical devices. Sanctions are drafted to include broad discretionary authority as well as humanitarian carve-outs to ensure effective targeting of regime figures – not Iranian citizens. Unfortunately, not only does the Iranian government **import luxury items in place of medicine**, but as **revealed** by a governmental pharmacy employee in Tehran, Iran puts artificial constraints on public access to drugs and medicine. According to this report, of 20 units of medication in government supply, only two are available to the public. The rest are “**reserved**” for Iranians with influence or good connections. In the words of **one U.S. Treasury Department spokesperson**, “It has been the longstanding policy of the United States not to target Iranian imports of humanitarian items, such as food, medicine and medical devices.” As a result, “if there is in fact a shortage of some medicines in Iran, it is due to choices made by the Iranian government, not the US government.” There is simply no basis to the claim that sanctions target Iranian citizens. The damage and suffering caused by Iranian regime brutality, corruption and neglect far exceeds the impact of any negative externalities brought about by sanctions.

## Fiction 4: Food Shortages

*Sanctions are designed to punish Iranian citizens including by limiting Iranian access to basic essentials and foodstuffs, effectively starving the Iranian people.*

**FACT:** The U.S. regulations “**do not unduly interfere with transactions for the sale of agricultural commodities, food, medicine, or medical devices to Iran.**” For example, in 2012 alone, the U.S. exported almost **\$90 million** worth of wheat to Iran. Unfortunately, corruption and mismanagement are rampant in Iran, and are widely blamed for the misallocation of governmental resources derived from Iran’s vast energy reserves. In the eight years of Ahmadinejad’s presidency alone Iran accumulated **\$700 billion** in oil revenue. According to **Mayor of Tehran Mohammad Baqer Qalibaf**, “The government’s mismanagement, which doesn’t allow us to benefit from the country’s huge capacity, is the main cause of the current situation.” **In one instance** in July 2013, 4 million tons of food and medicines were, “stranded in

Iranian customs because of disagreements between the central bank and the Commerce Ministry over access to a preferential currency exchange rate.”

## Fiction 5: Studying Abroad

*Sanctions punish ordinary Iranians by preventing Iranian students from studying in the U.S. and Europe.*

**FACT:** International sanctions do not prevent Iranian students from studying in the U.S. or Europe. According to the U.S. Treasury, sanctions also **do not inhibit** “the provision of scholarships to students enrolled in Iranian universities to allow such students to attend U.S. academic institutions.” In fact, students from Iran are **increasingly** leaving to study abroad in the United States, with one Iranian physicist winning a **\$3 million prize** at Princeton University. Moreover, Iran boasts **the highest number of U.S. college graduates serving in any foreign government cabinet in world.** For instance, Minister of Foreign Affairs Javad Zarif **received** his B.A. and M.A. from San Francisco University, and a second M.A. from the University of Denver, and Chief of Staff Mohammad Nahavandian **graduated** from George Washington University. The EU **advocates** proactively for Iranian students to study abroad in Europe, providing **a scholarship program** specifically for Iranian students. It is unclear how many Americans are currently studying at Iranian universities.

## Fiction 6: Internet Sanctions

*Sanctions have cut off ordinary Iranians and Iranian activists from accessing the internet thereby stifling the spread of grassroots political and protest movements.*

**FACT:** **Claims** that Clinton-era sanctions continue to impede Iranian activists’ access to the internet are baseless. In reality, Iranians’ limited access to the internet is a result of the Iranian regime’s crushing censorship program. For example Iran blocks **millions** of websites, including **more than 50% of the world’s top websites** such as Facebook and Twitter. The Iranian government also **jams satellites** to prevent foreign broadcasts from reaching the Iranian public, and **keeps the internet artificially slow** to curb internet use within Iran. By contrast, the U.S. has provided **multiple sanctions exemptions** specifically to facilitate the delivery of modern communications equipment to Iran and foster communication between Iranians and the rest of the world. Apple Inc. is **working to expand hardware services** to Iran.

## Fiction 7: Cost to United States

*Sanctions on Iran are costly to the U.S. e.g. sanctions cost the U.S. \$175 billion in lost exports since 1995 and 200,000 lost jobs per year.*

**FACT:** A recent report misleadingly claimed that between 1995 and 2012 Iranian sanctions cost the U.S. “\$175 billion in lost export revenue or 200,000 lost jobs in one year.” *The Washington Post’s* Glenn Kessler **has refuted its specious arguments.** The \$175 billion figure for lost export revenue is not, as the report implies, a per annum figure, but an estimate for lost export revenue *over the course of 18 years*. The \$175 billion total figure is also grossly inflated, as it is predicated on a disingenuous theoretical best-case context. Such a scenario was never plausible in view of the Iranian regime’s commitment to its “Death to America” ideology. Prior to 1995, under the rule of ayatollahs, **U.S. exports to Iran did not exceed \$750 million.** In fact, the average value of U.S. exports to Iran from 1985-1994 was \$268 million. The study’s inference – that U.S. exports could have jumped to \$10 billion a year – is ludicrous. The report claims that “the negative impact of sanctions to the U.S. economy has been staggering.” However, even if one were to take the \$175 billion figure at face value, it would only mean a loss of 0.5% of total U.S. exports over that 18-year period.

## Fiction 8: Empower Iran

*Sanctions empower the Iranian regime at the expense of opposition. They impoverish the citizens, thereby reinforcing their dependence on the government.*

**FACT:** Iranians have in large part **blamed** the government’s massive economic mismanagement for the country’s poor economic performance. Meanwhile, Iranian politicians have been pointing the finger at each other. For example, Iran’s speaker of Parliament, Ali Larijani, has claimed that **80% of Iran’s economic problems stem from mismanagement.** By putting Iran’s leadership in the position of defending its corrupt behavior to the public, sanctions actually seem to empower opposition leaders who promise an alternative to the status quo. Indeed, President Rouhani was elected in 2013 on a platform of moderation and nuclear cooperation in service of Iran’s economy. Rouhani has since reneged on his international and domestic commitments to produce “quick negotiations,” **withholding information** on Iran’s nuclear program to the IAEA.

## Fiction 9: Sanctions Ineffective

*Sanctions never work. It was Rouhani’s election – not sanctions – that brought Iran to the negotiations table.*

**FACT:** The Iran sanctions regime has proved to be **a model of success** for the efficacy of sanctions. There is **widespread agreement** that sanctions against Iran have succeeded in bringing its leaders to the negotiating table. For example, **U.S. Treasury Secretary** Lew

credited “the most sweeping, most powerful, most innovative, and most comprehensive sanctions regime in history...” for bringing Iran to the negotiating table. Moreover, it was current U.S. Secretary of State John Kerry who **stated** that “outreach alone is not a strategy. If diplomacy is to work, it must be backed by the prospect of tough, escalating multilateral sanctions strong enough to actually change behavior.” Rouhani himself has said that in service of Iran’s economy, **quick negotiations were needed** regarding its nuclear program. Unfortunately, sanctions relief has provided space to the regime and enabled Rouhani time to backtrack on his international and domestic commitments to reach such a deal.

## Fiction 10: Ineffective Bargaining

*Sanctions do not achieve policy objectives. They are not an effective bargaining tool.*

**FACT:** Due to sanctions, Iran’s nuclear program has required an exorbitant amount of time and money, costing well **over \$100 billion** total “in lost foreign investment and oil revenue,” and in a separate estimate **\$130 billion** over the course of two years alone. Iran’s Bushehr nuclear reactor, for instance, took **nearly four decades** to complete, in addition to costing Iran the equivalent of \$11 billion today. The success of Iran’s nuclear program is not merely contingent on the commitment of its leaders, but on the government’s ability access to these vast financial resources. Ahmadinejad **said in 2012** that “the impact of international sanctions ‘is like war.’ The sanctions are ‘blocking off conduits... like the conduits of selling oil, foreign exchange, our banks and the central bank.’” Sanctions have a documented history of efficacy. According to the Peterson Institute for International Economics, cases in which “financial, export, and import sanctions were all used, often comprehensively,” resulted in a **40% success** rate of sanctions in achieving their goals. Furthermore, while the Iraq sanctions were repeatedly dismissed as ineffective, the discovery that Iraq did not, in fact, harbor an active WMD program may provide the most concrete corroboration **regarding the efficacy of sanctions**, and their ability to inhibit nuclear proliferation.