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Impacts of the US Trade and Financial Sanctions on Iran

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Abstract

This article presents a case study of the effectiveness of the US unilateral trade and financial sanctions on Iran. To assess the trade sanctions' effect, the US–Iran historical trade data are examined, and the economic cost of trade sanctions is measured by applying the concept of welfare loss. The financial sanctions' impacts are evaluated by assessing the extra charges Iran has paid on its foreign debt obligations and for financing its oil development projects. At the end, the efficacy of the US sanctions policy towards Iran is evaluated. It is found that the financial sanctions have had a more powerful impact than the trade sanctions. The analysis also shows that the unilateral import sanctions on the fungible crude oil have been ineffective. It is concluded that, overall, the sanctions' economic effect has been significant, while its political effect has been minimal. This article suggests that targeting the sanctions towards the ruling clergy can improve their effectiveness while lessening their side effects on the Iranian population. Precise smart sanctions to force the ruling clerics to step down will calm down Islamic fundamentalisms throughout the region and will contribute to peace and better relations with the West.

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