

Iran Sanctions or Blockade? Philosophy and Consequences The Effect of Recent U.S. Sanctions on Iran's Real Economic Sector

Abstract

The USA has increasingly¹ employed economic sanctions as a tool to pursue its foreign policy objectives. Sanctions have diminished the investment drive behind Iran's economic development, hampering the country's plans for long-term growth within the framework of Iran's 2025 vision which kicked off in 2005.

There are mixed opinions on the impact of these sanctions on Iran's economy however, there are some who describe them as fruitless.

This study initially investigates the nature and philosophy of sanctions with a glance at the impact of recent US sanctions on Iran's actual economy, with an emphasis on the country's industrial sector from 2009 to 2019. The relationships between variables were investigated using EVIEWS9.

The research findings show:

- 1) The commonly used term sanctions needs to be redefined and it is also incorrect to use the term "unilateral sanctions".
- 2) The new sanctions have been "effective" on different scales on price fluctuations in three sectors examined namely, housing, transportation and health.

Keywords: *Iran economy, Sanctions, Blockade, US Sanction philosophy, housing, transportation and health.*

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1. Exceptions include the periods following the post-Algiers Accords 1981, Reform 1998, and the Joint Comprehensive Plan of Action (JCPOA) 2015.

Introduction

*The road is smooth, and under it are traps;
There is a famine of meaning amidst the names
The words and names are like the traps,
The sweet word is the sand for the water of our²*

1. Introduction

First and foremost, there are several mistakes and missteps in naming within this field that need to be addressed.

The Thesaurus of Economic Sciences defines the term "sanctions" as economic penalties while defining "embargo" as sanctions and economic prohibitions accompanied by the confiscation of vessels.

The same reference associates boycott with sanctions wherein consumers or countries deliberately refuse to purchase and consume specific goods from the other side. (Farhang, 1992).

The difference between boycott and buycott is also focused on not buying and buying; the former is for protest and the latter for support. (WikiDiff: boycott)

In some cases the word "sanctions" means to gain approval from authority; the word has formal, legal and administrative dimensions (as a government) while boycott is to abstain, either as an individual or group, from using, buying, or dealing with someone or an organization as an expression of protest, at the same time, embargo refers more to a governmental order prohibiting the departure of commercial ships from its ports and also a legal prohibition of commerce (Merriam-Webster, 2000).

Another commonly used term is "blockade" whose literal meaning is to close and encircle a place, especially a port, with troops (Oxford Dic., 1996), which is considered to be more of a prerequisite for war; a war action based on which one side blocks certain areas of the hostile country (mostly ports), such as the blockade of Berlin by the Soviet Union in 1948 and 1949 or the blockade of Cuba after the US missile crisis in 1962, which, of course, the Kennedy administration avoided applying the term "blockade" to prevent a war with the USSR and the term "quarantine" was applied instead.

Later Britain used the term "exclusion zone" instead of "blockade" during its war with Argentina on the so-called Falkland Islands or as the Argentinians call it Malvinas in 1982. (Encyclopaedia Britannica: Blockade, 2018).

Sanctions or Blockade

The Cuban policy of the United States in avoiding the use of correct terminologies is similar to the current approach towards Iran, where only the word "sanctions" is applied while terms such as "economic blockade" seem to be a better choice in both meaning and legal weight, especially after the so-called D'Amato laws and the entry of an extraterritorial element into Iranian sanctions.

Efforts by US Senator D'Amato to impose penalties on Iran's trade partners in the energy sector were the subject of much controversy and the act was not adopted until August 5, 1996. However, in the following year, the move paved the way for extraterritorial sanctions in spite of determined and persistent opposition by many countries including some of America's allies.

From 2006 to 2010 the United Nations passed six resolutions against Iran within chapter VII of the UN Security Council, placing Iran under heavy economic sanctions. These resolutions were repealed after Iran signed an agreement with the six world powers namely the US, Russia, Britain, China and France plus Germany in the framework of the "Joint Comprehensive Plan of Action" or JCPOA, which removed the Islamic Republic from the clause of the UNSC Charter.

However, the US Congress and Senate extended the validity of the Iran Sanctions Act with a decisive vote in November 2016; an action viewed by Tehran as an apparent violation of the JCPOA. Despite President Obama's refusal to sign the law, a visa restriction law was eventually approved by Congress and signed by the president.

²

³ . Rumi

Shortly after Donald Trump took office, he blatantly violated the JCPOA. Following the presidential endorsement, the US Treasury immediately imposed extensive sanctions on Iran; an action backed up by a wave of anti-Iran propaganda, which left a huge impact on the Iranian economy, triggering the devaluation of the Iranian Rial, Iran's national currency, rampant inflation and considerable capital flight.

In current literature, these restrictions are referred to as "unilateral US sanctions", while as mentioned

earlier; they tend to be more of an "economic blockade" or a full-scale economic war.

The first and second packages of US sanctions (Aug 7 and Nov 5, 2018) indicated that the main goal was to place Iran under an economic blockade with the help of the so-called "Iran Action Group" established in Aug 2018 whose task was to communicate with every single country, company and even important individuals dealing with Iran to prevent the interests of Iran from being met through bribery and even intimidation.

*Ask from whom you wish to be a captive,
Show satiety to whomever you wish to emulate,
Bless whomever you wish to be an emir⁴*

2. The Philosophy of Blockade

The enforcement of sanctions by the US against Iran has been so extensive that some researchers have begun to call it a sanctions epidemic or frenzy.

Amid the wide scope of US sanctions as "the" most important diplomatic tool that relates to almost 40% of the world population, Iran has been the biggest target (Hakimian, 2019). The question of how justified the US foreign policy is in its hostility against Iran could be explored in the three following theories:

2.1 Money

"There is money everywhere. To some, money is everything. To all, it is a necessity."⁵

Some believe that the main goal of imposing economic sanctions is to plunder weaker governments after they present the extortionists with a pretext. Imposing sanctions on commerce is one of the features of international trade policies to benefit the imposer and torment the target country (Afesorgbor, 2018).

After the 1979 US embassy takeover in Tehran by a group of Iranian students and the hostage crisis

which followed after, a single hint by Bani-Sadr Iran's then caretaker foreign minister and minister of finance to withdraw Iranian assets from US banks was enough to prompt President Carter to enact the biggest financial blockade in history against Iran with the stroke of a pen (Nov 14, 1979). Over 12 billion dollars of Iran's assets were frozen.

President Carter's advisor Lloyd N. Cutler wrote on the decision:

"While we were discussing the issue overnight on the 12th and 13th of November, Iranian finance minister Bani-Sadr, suddenly announced that Iran was going to withdraw all of its deposits from American banks in the US and Europe. The decision could have resulted in a sharp decline in the value of the dollar. Because of the 8-hour time difference between Tehran and Washington, we only heard of the announcement around 3 or 4 a.m. on November 14th. That ended all debate and hesitancy within the administration."⁶

Here it can be noted that a stroke on the US dollar was a significant blow. Nowadays, when someone is asked about the reason for the blocking of Iranian assets after the Hostage Crisis, they would

⁴ . Imam Ali, Ghurar al-Hikam Vol. 2 p. 584

⁵ . The first sentences of the preface to Georg Simmel's Philosophy of Money, penned by Charles Lemert.

⁶ . Alikhani, 2000, quoting Andreas F. Lowenfeld, Trade controls for political ends; 1983, p 540.

immediately cite the release of hostages – even though the agreement was signed 444 days later (The Algiers Declaration of Jan 19, 1981) to free Iran's assets was only partially implemented by the US and not all assets were released - yet the White House statement on the day of the hostage-taking gave another reason, that *"The President has today acted to block all official Iranian assets in the United States, including deposits in United States banks and their foreign branches and subsidiaries. This order is in response to reports that the government of Iran is about to withdraw funds"*⁷.

By then blocking some 12 billion dollars of Iranian assets was the strongest sanction by the US against Iran, however, it is estimated that more than 40 billion dollars of Iran's assets are still blocked in countries like China, India, Iraq, South Korea and Japan as a result of the economic blockade of Tehran by Trump's administration.

The significance of the freezing of Iranian assets can only be understood if one recalls that with the involvement of the US in World War II, and at the height of that war, the US Treasury blocked the assets of virtually the entire globe, which amounted to less than \$ 8 billion (Alizadeh- 2000).

One of the provisions of the hostage release agreement or the Algiers Accord that was adopted by Iran's Parliament on January 14, 1981, was the release of \$ 12 billion of Iran's frozen assets and an estimated 10 billion dollars of Shah's assets. Despite the agreement, only about \$3 billion of assets were released and the Shah's assets in the US were blocked for a limited time.

Some of the claims, which led to withdrawals from Iran's frozen accounts, are humorous. Iran's conviction at a court in New York to pay over \$ 6 billion in compensation to the families of the 9/11 victims serves as an example of an attack that neither originated from Iran nor involved any Iranian nationals. This decision is also inconsistent with congressional research in 2017 and a 28-page document, which clearly states that 15 out of the 19 terrorists that carried out the 9/11 attacks were Saudi nationals, and two were from the United Arab Emirates (DW, May 6, 2018).

Famous American author Greg Palast in his book "The Best Democracy Money Can Buy" refers to such American money-oriented relations. (Palast, 2004)

Oil and Sanctions

Iran, Russia and the US are rich in natural resources and produce substitute goods. It would be in their interest if these countries produced complementary goods.

The oil sanctions against Iran have paid well for the US and Russia. One of the reasons behind sanctioning the oil sector of Iran and Venezuela by the US is to create a bigger market share for its oil market according to Iran's oil minister. The total increase in America's oil output from January 2017 to July 2019 was 3.6 million barrels per day, which was not taken into account in OPEC's calculations as nobody in the market could foresee that the US could so rapidly increase its production.

Such levels of oil production required a market and could not be replaced by OPEC's normal production cut; a reduction of 1.2 million barrels. Therefore some kind of shockwave needed to be sent throughout the market to gain a bigger share for the US. In fact, the sanctions were partly intended to facilitate the development and production of US Shale oil. As evidence, the US began selling oil to Iran's petroleum clients during the sanctions (IRIB Channel 2, "Exclusive Debate"- July 7, 2019).

Trump spoke more candidly in comparison with his predecessor Barack Obama on the sanctions, America's investments and the money returned by war. For instance, on January 6, 2020, he reacted to the Iraqi parliament, which called on the US forces to leave the country: "We will charge them with sanctions like they've never seen before. It'll make Iranian sanctions look somewhat tame." At that speech Trump frankly demanded money for the US military presence in Iraq: "We have a very extraordinary expensive airbase that's there. It cost billions of dollars to build. We're not leaving unless they pay us back for it".

⁷. 15 Weekly Comp. Press, Docs 2117, 14. Nov. 1979.

Politicians would take your property if they were in agreement, and your lives if they were in disagreement. (Karl Marx)

2.2. Peace/War

There are two main perspectives on the sanctions. The first views sanctions as a legitimate and peaceful alternative to violence and war, whereas the second viewpoint considers it a prelude to war and an enemy-weakening tactic.

2.2.1. Alternative to war

In the twentieth century, economic sanctions became a common instrument as an alternative to war; a peaceful and effective approach to implementing international law (Paul, 2014). In the past sanctions were intended to improve and protect human rights (Lopez & Curite, 1998).

Article 41 of the UN Charter (June 26, 1945) permits the international community to take actions other than military force including complete or temporary cessation of economic relations for a specific objective in line with implementing the decisions of the Security Council (Charter, 2014).

Economic sanctions are an unfriendly yet non-coercive method often employed unilaterally, multilaterally, or collectively against countries that violate international commitments.

In international law, economic sanctions are a lever for pressuring various countries to return to compliance but are often abused by countries to further their political interests.

2.2.2. A prelude to war

Sanctions are justified as a more lenient, humane alternative to war, but they often pave the way for war instead. For example, the 2003 US invasion of Iraq followed after 13 years of international sanctions against the country (Hakimian, 2019). The same was also the case for Libya, where the blockade ultimately weakened Gaddafi and led to his surrender.

Researchers at the Rand Corporation, including Arthur Kellermann, believe that the consequences of sanctions are diverse and dangerous and can be a prelude to war.

In 1995, UN Secretary-General, Boutros-Ghali, called sanctions a “blunt instrument” and stated “They raise ethical questions concerning the

suffering they inflict on innocent victims, and whether the imposition of such punishment against the innocent is a legal instrument for pressuring political leaders” (Garcetti, 2014).

2.3. Isolation

Isolation is the third strategic action, which goes beyond war, peace, and the economy. The strategic goals which are hereby referred to as "isolation" represent the third pretext for imposing sanctions besides financial levers and the war-peace alternative.

The isolation factor could be regarded as the epistemological manifestation of the US economic blockade against Iran; which some consider the most significant approach against the Islamic Republic of Iran.

Sanctions are a foreign policy instrument used for isolating a target country from international markets and forcing it to adopt particular measures.

Economic sanctions, which are coercive instruments of pressure to advance the foreign policy goals of countries, are the main feature of US diplomacy with Iran since the 1979 Revolution (Ebner, 2013).

There is evidence to suggest that the economic sanctions instated against Iran are an instrument of the US diplomatic system to persuade countries, which depend on the global economy and yet are not willing to accept its rules and policies (Hofbauer et al., 2013).

Economic sanctions against Iran can be analysed as the western world's asymmetric multilateral policy with the main goal of degrading the general capacity of both the government and the society (Mossalanejad, 2015).

The attempt to combine wisdom and power has only rarely been successful and then only for a short while⁸.

3. Consequences

In general terms, the economic blockade of Iran has reduced investment as the main driver of economic growth and development, hampering plans for long-

⁸ . Albert Einstein

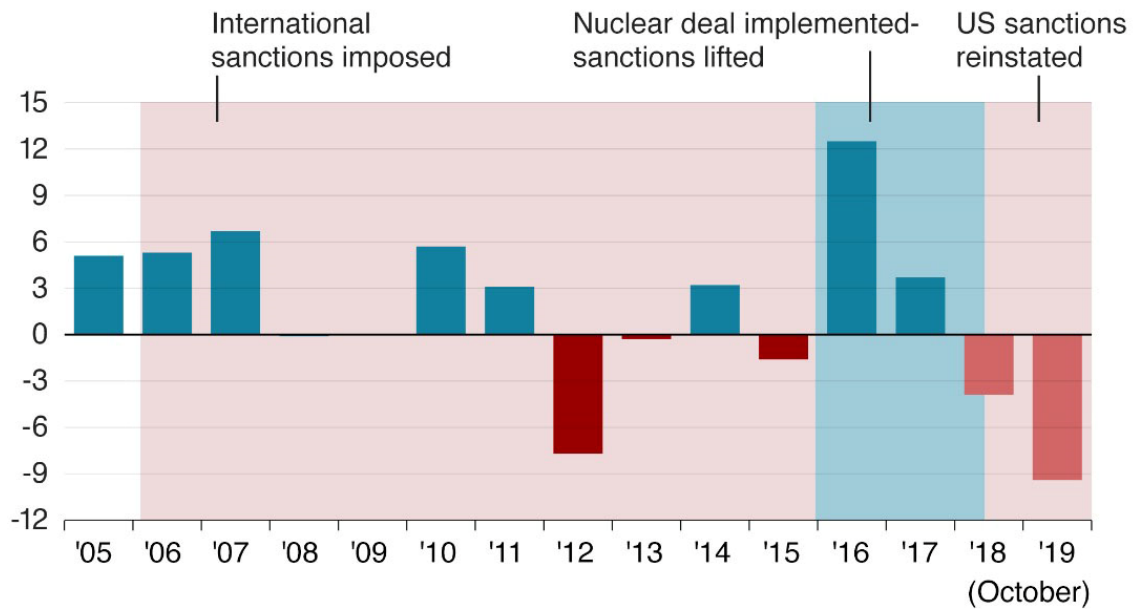
term growth; creating some sort of a “Chronophobia” which significantly triggers both inflation and recession next to the devaluation of Iran's national currency; the Iranian Rial.

The first consequence of an economic blockade is often its psychological impact under which certainty about the future and profitability of economic units are diminished. In such circumstances, economic

players adopt a contractionary policy, refrain from capital investment and await future developments. In previous decades the Iranian economy has suffered instabilities that are rooted in the country's economic system; problems that emerge once every few years due to different reasons (Einiyan & Barakchian, 2014).

Economic growth in Iran

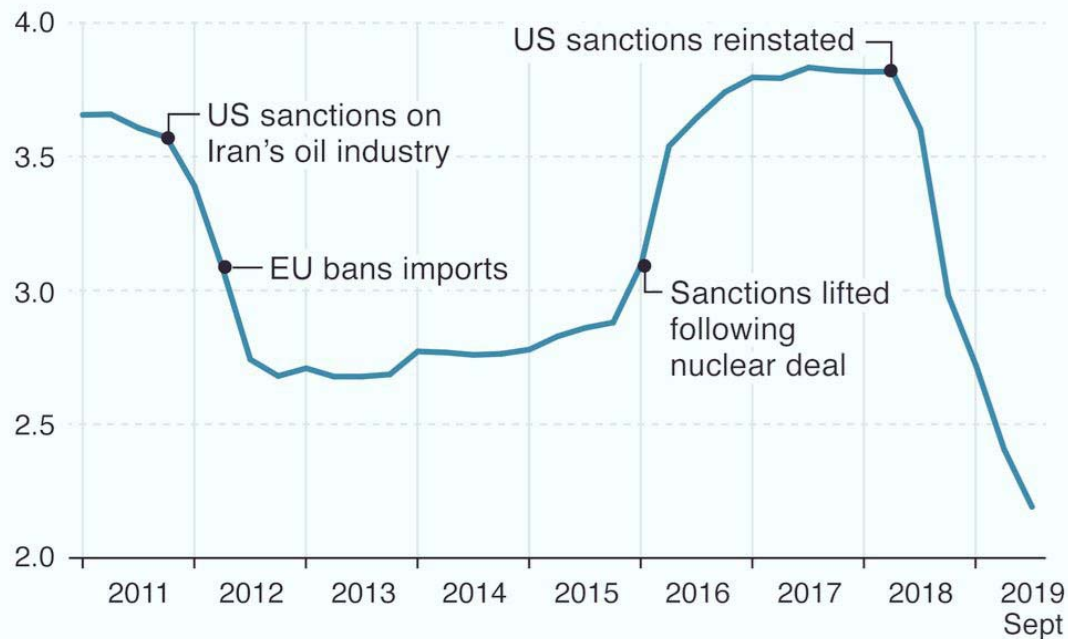
GDP growth rate %



Source: Central Bank of Iran, IMF

Iran's oil output

Production in millions of barrels per day



Data to September 2019

Source: OPEC

Figures show that sanctions have not been able to leave a meaningful effect on Iran's economic growth until 2015.

Vesali & Torabi, (2011) studied the impact of Iran's banking sector sanctions on the country's economy and concluded that the lack of cooperation between the European Union and Iran was the main reason behind the futility of past sanctions however they also concluded sanctions began to leave their tangible effect as soon as Iran strengthened cooperation with the EU. Was the EU successful against the Iranian siege?

The lack of suitable quantitative models in this area has led to studies which mainly focus on describing the effects of sanctions on the economy, notwithstanding the monographs on the subject, including by Torbat (2005). Still with inconsistent results: Hofbauer et al. (2009) investigated a wide range of sanctions and concluded they have been partially successful. Jing et al. (2003) stated that the efficacy of sanctions largely depends on the

closeness of bilateral relations (between the imposer and target), and is negatively correlated with the sanctioned country's economic development and political stability.

There is some evidence to suggest that large and independent countries withstand the effects of sanctions better than smaller countries, whereas some studies have shown that sanctions are effective and their instruments play a significant role in this regard.

So far little qualitative research is done on the efficiency of sanctions, which shows completely different results. Salehi et al. (2017) stated that economic sanctions do affect Iran's economic, social and political status.

Ankodio et al. (2017) showed that nearly all indicators in various sectors had experienced significant fluctuations.

Afsoogabar (2019) stated that the effect of the "threat" of sanctions were both quantitatively and qualitatively different from their "execution", and while instated sanctions diminish trade between the imposer and the target, the threat of sanctions has a boosting effect on trade between the two sides. Brooks (2002) further stated that the threat of

sanctions was sufficient to bring about negative consequences even if the country threatening sanctions did not instate them. Heider (2015) believes that the added cost levelled against the sanctioned country depends on its dependence on the imposer. Alush et al. (2019) concluded that sanctions affect psychological health and threaten access to essential and life-saving medicine. Asadi et al. (2019) showed that sanctions greatly impact ordinary citizens, especially the most vulnerable including the diseased. A 1999 study by the Centre for Strategic and International Studies, CSIS, in the United States, which also involved members of the Congress from two main parties next to researchers, concluded that nearly all unilateral sanctions fail, and proposed constructive engagement instead. Another researcher, Ernest H. Prig, showed that unilateral sanctions usually fail to achieve their goals and negatively affect US interests. Ezzati et al. (2015) assessed the effects of sanctions on Iran's economic growth from the victory of Iran's Islamic Revolution in 1979 until 2012 and added that sanctions had no significant impact.

There are many contradicting opinions among Iranian politicians on the effectiveness of sanctions. Some even consider the UN resolutions against Iran as a piece of worthless paper (President Ahmadinejad, March 16, 2007), while others cite startling figures. On December 31, 2019, President Rouhani stated:

"Had we not been sanctioned in 2018 and 2019, the country would have access to [an additional] 200 billion dollars.

The analyses of sanctions against Iran can be divided into two periods that include "before" and "during" the full-scale blockade of Iran, and the considerable variance in results is mainly caused by the failure to distinguish between sanctions and blockade as two separate factors.

Taking into account the direct and indirect consequences of the blockade against Iran leaves no doubt about the underestimation of damages done to the country. Consider, for example, transportation, gas pipelines, Iran's geostrategic status and the US efforts to prevent important contracts in this field.

4. Model and data

The effect of sanctions on Iran's real economy was investigated through the analysis of three parameters namely the housing, healthcare, and transportation sectors. The following hypotheses are presented:

H₁: The Trump era sanctions affect the housing sector.

H₂, healthcare and H₃, the transportation sector.

We take a closer look at the effects caused by sanctions and price indexes of the housing, healthcare, and transportation sectors to demonstrate the validity of the above-mentioned hypotheses per the studies of Ezzati et al. (2017), Ankodio et al. (2017), and Afsoogabar (2018).

For example, the housing formula is as follows:

$$\begin{aligned} Housing_{it} = & \beta_0 + \beta_1 GDP_{it} + \beta_2 CURRENCY_{it} \\ & + \beta_3 import_{it} + \beta_4 export_{it} \\ & + \beta_5 Sanctions_{it} \\ & + \beta_6 Consumer Price Index_{it} \\ & + \epsilon_{it} \end{aligned}$$

GDP: Logarithmic gross domestic product;

CURRENCY: Exchange rate fluctuations;

Import: Import changes;

Export: Export changes;

Consumer Price Index;

Sanctions: The economic restriction imposed since the presidency of Donald Trump

This research was conducted from 2009 to 2019.

5. Data and experimental results

5.1. Descriptive statistics

As the first step, this statistical analysis specifies the summarized data features and calculates descriptive indicators. Such analysis provides insight into the intra-variable correlations and the subjects' behaviour to prepare for statistical analysis and clarify descriptive features (Hooman, 2004).

In this section data analysis is conducted by calculating central indexes of mean and median and the dispersion coefficient of minimum and maximum variables as well as standard deviation. (Table1- appendix)

5.2. Normality test of research variables

This study uses the ordinary least squares method to estimate model parameters. We use the Jarque-Bera normality test. If the statistic’s significance level was greater than 0.05, H_0 , the normal distribution of variables, is accepted. (Table 2- appendix)

This shows the Jarque-Bera statistics are smaller than the .05 significance level, and the dependent variables are non-normal. Given the non-normal nature of stock data, this study uses the Central Limit Theorem due to the large sample size ($N > 30$) and the abundance of observations. The significance level of the Jarque-Bera statistic of variables is less than 0.5, hence the variables are normal.

5.3. Variable durability test (Unit-Root):

The durability of research variables is investigated using the Phillips-Perron unit-root test. If the time series used in the regression are not durable they may lead to false regression, (Table 3- appendix)

This shows that all variables have a probability of less than 0.05, which suggests they all meet the durability threshold.

4.5. Cointegration test

The hypotheses can be written as follows:

H_0 : The variables under study are not cointegrated.

H_1 : The variables under study are cointegrated. (Table 4- appendix)

The table shows that the significance level is below .05 up to three correlations, which rejects H_0 , confirming the hypothesis that establishes the presence of four convergent vectors.

5.5. Collinearity of model variables

Correlation is the presence of a linear relationship between independent variables.

The collinearity problem in input variables, including independent and control variables is investigated using the variance inflation factor (VIF). A VIF of less than 10 suggests that some of the dispersion of independent variables is explained by other input variables. (Table 5- appendix)

That shows this statistic to be lower than 10 for all variables in the model, which suggests a lack of collinearity among

Table 8. Model estimation

Variable	HEALTHCARE			HOUSING			TRANSPORTATION		
	Coefficient	T-statistic	Significance	Coefficient	Statistic	Significance	Coefficient	T-statistic	Significance

variables in all models. Hence, the results obtained from the multivariate regression analysis are acceptable.

Furthermore, the variable correlation table shows the integrity of the aforesaid results. (Table 6- appendix) shown, the maximum absolute value of the correlation coefficient for independent variables is 0.523, and other coefficients have low values suggesting a lack of high collinearity among explanatory variables.

5.6. The heteroscedasticity test

An obvious question is often asked here; is there any statistical factor by which the inequality among variances could be analysed and the model's heteroscedasticity problem could be detected if the variance inequalities exceed a certain threshold? Economists use various methods to answer this question, including the ARCH test used by this study, the Breusch–Pagan test, the White test, and the Park test. (Table 7- appendix) show the significance value is greater than 0.05, therefore we can reject the heteroscedasticity hypothesis.

5.7. Autocorrelation test

As shown in the table below a value of 2 means that there is no autocorrelation, which is the optimal state in the main hypotheses of residuals in regression analysis.

CONSUMER_PRICE	0.029960	0.10899 1	0.9201	0.203749	0.81606 1	0.4742	0.023676	0.17954 1	0.8690
EXPORT	- 4.657919	- 3.21855 7	0.0486	- 2.951400	- 2.24532 4	0.1104	- 3.566695	- 5.13754 3	0.0143
FD	- 0.080993	- 0.34142 3	0.7553	- 0.056385	- 0.26169 0	0.8105	- 0.144128	- 1.26652 1	0.2947
GDP	18.14569	1.29010 7	0.2875	18.96576	1.48458 2	0.2343	9.609518	1.42421 0	0.2496
IMPORT	8.898866	1.22804 4	0.3070	0.856001	0.13005 7	0.9048	6.177357	1.77706 1	0.1736
SANCTIONS	1.741137	3.68492 2	0.0346	0.462698	1.07813 9	0.3599	0.771045	3.40169 6	0.0424
C	- 20.79250	- 0.71908 9	0.5240	9.994263	0.38054 7	0.7289	- 12.11368	- 0.87331 8	0.4468
Overall Fit	R ² =0.977547 F= 21.76851 prob(F)= 0.014 D.W=1.879377			R ² =0.947594 F= 9.040979 prob(F)= 0.049 D.W=1.816290			R ² =0.983647 F= 30.07458 prob(F)= 0.009 D.W=2.907929		

The hypothesis test:

H₁:

Table 8 shows that the independent SANCTIONS variable has an influence coefficient of 0.551925 and the t-test statistic of 2.5053 on the dependent housing variable, which is a higher absolute than the critical value at the 5% significance level (1.96) and means that the coefficient is significant.

The significance level is 0.012299, which is smaller than the 5% error rate and shows significance. Hence, sanctions imposed during Trump's first term have significantly impacted the housing sector, and the hypothesis is accepted.

H₂:

Table 8 shows that the independent SANCTIONS variable has an influence coefficient of 1.741137 and a t-test statistic of 3.684922 on the dependent healthcare variable, which is a higher absolute than critical t value at the 5% error rate (1.96) and means the coefficient is significant.

The significance level is 0.0346, which is smaller than the 5% error rate confirming the finding. Therefore, the hypothesis is accepted.

H₃:

Table 8 shows that the independent SANCTIONS variable has an influence coefficient of 0.771045 and a t-test statistic of 3.401696 on the dependent transportation variable, which is a higher absolute than critical t value at the 5% error rate (1.96) and suggests that the coefficient is significant.

The significance level is 0.0424, which is smaller than the 5% error rate confirming the finding. Therefore, the hypothesis is accepted.

6. Conclusion

The term "sanction" is a homonym that requires analysis and redefinition. This article deduced that the common term "unilateral sanctions" is inappropriate. To avoid certain costs, the United States has sought to substitute the correct and legally-defined terminology, "blockade", with the seemingly legitimate and practical term, "sanctions", which has enabled the US to produce and reproduce the prevailing norms of sanctions with relative success. Cuba was presented as an example of how the US avoided the term "blockade" to mitigate potential risks.

Arguably, understanding the concept of limitations sent by the "imposer" assists the target country - Iran - in facing the challenge, and the first step in doing so would be applying the proper terms.

We already referred to cases where Iran managed to win the ground in dealing with the challenge of the US and its regional allies, however, a direct engagement of any sort could be regarded as a double-edged sword.

Although examples pointed to the US' unwillingness for direct engagement with Iran, this strategy needs popular support that could be earned by improving the government's relationship with the public.

In Iran's contemporary history, governments that improved their relationship with the public had the best economic records. Mohammad Mossadeq's (1882-1967) encounter with sanctions is a cautionary tale. Although his adaptive measures – such as boosting agricultural and handicraft production, devaluation of the national currency, reduction of imports and government expenditures, increasing taxes and other similar steps, frustrated Britain (Clawson & Sasanpour, 1987) and debilitated the efficacy of sanctions and changed their tactic (from economic to military); he has also received criticism⁹. However, at the slightest, his success in creating social capital, which led to the purchase of bonds by the merchants below the interest rate, and the comparison with the current state of Iran where appeals to refrain from purchasing currency fall on deaf ears, or the social reaction of the people of Turkey towards the currency crisis, all emphasize the importance of strengthening the nation's trust in the government.

The range of opinions on the impact of sanctions is reviewed next, starting with the premiership of Mossadeq when people around him considered the oil the black plague and the sanctions a blessing; the idea has its supporters even today. Today however others emphasize the serious consequences of sanctions.

On this subject, as Hafiz (1315-1390) says: "People find good reasons for the wars in which they are stuck," as one needs to distinguish between full-scale economic blockade and sanctions.

Another dimension of the subject revolves around the effects of US sanctions on Iran's real economy. The results suggested that sanctions during the Trump administration have had the biggest respective impacts on paid healthcare, transportation, and housing. However indigenous sectors were arguably less affected by those sanctions.

The healthcare and transportation sectors were the hardest hit by sanctions with a considerable increase in the price of raw materials due to the over-dependence on imports and the US dollar.

The different countermeasures proposed for different periods will also be briefly mentioned since they fall outside the main subject of this article. The tenth government of the Islamic Republic of Iran mostly sought to circumvent sanctions, whereas its successor administration sought negotiations and the removal of sanctions however the strategy of Iran's Supreme Leader, Khamenei has been to nullify sanctions through a "Resistance Economy." The resistance economy is familiar if interpreted as Clawson's "adaptability" hypothesis but becomes incredibly complex if interpreted as independence and self-sufficiency in all areas.

In general, the commercial sanctions on goods and services should be clearly defined to develop consistent exemptions and supportive measures, and the indirect consequences of sanctions also call for ethical considerations.

It is recommended to devise supportive policies for various social classes to prevent socio-economic divide and inequality.

⁹ . See Mousa Ghaninejad's interview with Shargh Newspaper dated Sunday, March 18, 2018.