



**S. RAJARATNAM SCHOOL  
OF INTERNATIONAL STUDIES**  
A Graduate School of Nanyang Technological University

# RSIS COMMENTARIES

RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and RSIS. Please email: [RSISPublication@ntu.edu.sg](mailto:RSISPublication@ntu.edu.sg) or call (+65) 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

No. 040/2012 dated 12 March 2012

## **Iran's Purported Nuclear Ambitions: Commercial Sanctions Counter-productive?**

By Nah Liang Tuang

### **Synopsis**

*Iran is suspected of developing nuclear weapons capability and the West seeks to coerce it to stop enriching uranium via increasingly tough sanctions. Could the Iranian business community help pressure Tehran to forsake its nuclear ambition?*

### **Commentary**

GIVEN IRANIAN President Ahmadinejad's anti-Israel rhetoric and the close Washington-Tel Aviv relations, the West and Israel in particular have been most concerned about Tehran's insistence on enriching uranium which they suspect could be used for nuclear weapons. Despite Tehran's declaration that its nuclear programme is peaceful and that it is allowed low-level uranium enrichment as a Nuclear Non-Proliferation Treaty (NPT) signatory, the West appears determined to put an end to Iran's uranium enrichment.

### **Denuclearisation Strategy**

Curtailing Tehran's suspected nuclear arms programme via military action is risky given Iran's fortified and strongly defended nuclear facilities coupled with Tehran's threat of asymmetric/terrorist retaliation. Hence, both diplomatic as well as economically punitive measures have been employed to neutralise an Iranian nuclear weapons programme. The United Kingdom, France and Germany have offered Tehran political, trade and nuclear co-operation benefits along with non-aggression guarantees from the European Union. But this was rejected in 2005. The EU has banned Iranian oil imports with effect from July 2012 while in February 2012, the EU-based Society for Worldwide Interbank Financial Telecommunication (SWIFT) blacklisted Iran, thereby preventing Tehran from using the facility to transfer US dollar or Euro-denominated funds internationally to pay for imports or be paid for its exports/services.

This limits the ability of Iran to import vital necessities or accumulate foreign reserves. Additionally, the US has also opposed all loans to Iran from international financial institutions, barred many Iranian banks from dealing with the US financial system and frozen US-based Iranian assets. However, Tehran has stood firm on its nuclear enrichment programme.

Essentially, national resilience and pride bolster Tehran's resistance to Western pressure. It should be noted that Iran endured an eight-year war with Iraq in the 1980s and this has arguably hardened the national psyche against adversity and external opposition. Also, Iranians draw strength from the Persian cultural and historical

legacy and the nuclear programme, whether peaceful or military, serves as a link between the greatness of the past to the promise of a bright future. Hence, polls in 2008 showed that 90% of Iranians supported a civilian nuclear programme while 71% backed nuclear weapons development.

Therefore, both Ahmadinejad and Supreme Leader Ayatollah Khamenei will not budge on the nuclear enrichment issue because public support for the nuclear programme allows them to sustain political legitimacy even as economic mismanagement and political oppression induce public anger.

### **A More Productive Approach**

If external persuasion is counterproductive, could Tehran be domestically influenced? Professor Etel Solingen from the University of California Irvine, in her paper, "The Political Economy of Nuclear Restraint", argues that the decision to militarily nuclearise is influenced by dominant local political factions. If isolationist militant nationalists are dominant then government policy would favour nuclear weapons as a central pillar of national power, prestige and sovereignty. However, if economic liberalists, chiefly represented by private sector businesses were in charge, nuclear arms ambitions would be abandoned, for being a rogue proliferator state would curtail access to the trade, foreign investment and technology transfers essential for industrial vitality.

When Mohammad Khatami was president from 1997-August 2005, he implemented a free market and foreign investment focused economic policy while negotiating with France, Germany and the UK to reach a diplomatic agreement regarding Iranian uranium enrichment and even suspended enrichment from November 2004 to August 2005. Hence, we can infer that Iranian economic liberalists were domestically strong.

In contrast, after President Ahmadinejad assumed office on 3 August 2005, tensions concerning Iran's nuclear ambitions rose, resulting in the first United Nations Security Council Resolution in 2006 calling for it to cease enriching uranium. Correspondingly, the isolationist nationalist template fits Ahmadinejad, who was the sole presidential candidate to rule out future US-Iran relations, criticised the UN for being biased against Muslims and championed Iran's nuclear programme. Hence, isolationist nationalist domestic power is evident.

It is argued that limiting Iran's international trade via SWIFT blacklisting is ill-advised as it weakens the economic liberalist factions in Iran by suppressing the viability of influential businessmen and curbing their ability to support liberalist allies in Iran's parliament. Hence, instead of coercing Tehran via economic deprivation, economic sanctions are strengthening the relative power of isolationist nationalist factions and reinforcing the drive towards nuclear weapons.

Therefore, in negotiations with Iran, the lifting of SWIFT blacklisting and even tacit US acquiescence to international loans for Iran could be offered for Tehran's flexibility on its uranium enrichment. Discreet communications are then established with pro-business liberalists in Iran's parliament, encouraging them to lobby for compromises on uranium enrichment and to oppose any movement towards nuclear weaponisation.

Subsequently, if the liberalist position strengthens, the West could offer to lift all oil restrictions and support Iranian economic progress in exchange for Iranian nuclear de-escalation. This can be done through such measures as the permanent implementation of stricter IAEA inspection protocols and the installation of uranium enrichment centrifuges which would self-destruct if uranium purity began approaching weapons grade standards. Hence, as long as Tehran refrains from nuclear militarisation, the West should permit civilian uranium enrichment and help Iran improve its economy.

### **A Modus Vivendi**

It is evident that the West does not trust Iran but as Tehran will not foreswear the domestic enrichment of uranium fuel due to nationalistic reasons and coercive sanctions will not work, sanctions targeting the Iranian economy could be lifted in order to support flexible Iranian politicians who oppose nuclear weapons. Eventually, the West will have to reach a modus vivendi which permits a self-sufficient civil nuclear programme and assists the Iranian economy while ruling out nuclear weapons development.

*Nah Liang Tuang is an Associate Research Fellow at the Institute of Defence and Strategic Studies, a constituent unit of the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University.*