By Kevin Cashman and Cavan Kharrazian From Jacobin | Original Article

Iranian foreign minister Mohammad Javad Zarif recently visited the Group of Seven (G7) at the invitation of French president Emmanuel Macron, in what was seen as an overture to the Trump administration to negotiate over sanctions that have plagued the Iranian economy. Back in 2018, after months of increasingly hostile rhetoric, the US government withdrew from the Joint Comprehensive Plan of Action, or "Iran Deal," and imposed a "maximum pressure" campaign that included unilateral, economy-wide sanctions. The Iran Deal was an agreement that provided Iran relief from existing sanctions in exchange for limits on its enrichment of uranium, among other concessions. These sanctions hampered trade between the European Union, whose leaders have sought to salvage the Iran Deal.

When President Trump reimposed sanctions in November 2018, it cut off Iran's oil exports and access to the international financial system. At the time, he announced that Iran could either comply with new US demands or face "economic isolation." Additional US sanctions imposed since then have specifically targeted a thousand individuals and entities with the goal of reducing Iran's oil revenues to "zero." More recently, Trump said that although "[Iran's] economy is crashing . . . it's very easy to straighten [it] out, or it's very easy for us to make it a lot worse."

And so, according to Trump himself, the United States has the power to solve — or exacerbate — Iran's current economic problems. What is left unsaid, including by much of the media, is that sanctions that "crash" the economy are an attack on the country's civilian population and create widespread human misery. Indeed, they appear to be contributing to widespread shortages of medicine and medical equipment, particularly affecting cancer patients. In Venezuela, which is under a similar US sanctions regime, there have been similar effects, with more than 40,000 people estimated to have died from 2017 to 2018 due to the "collective punishment" inflicted on them.

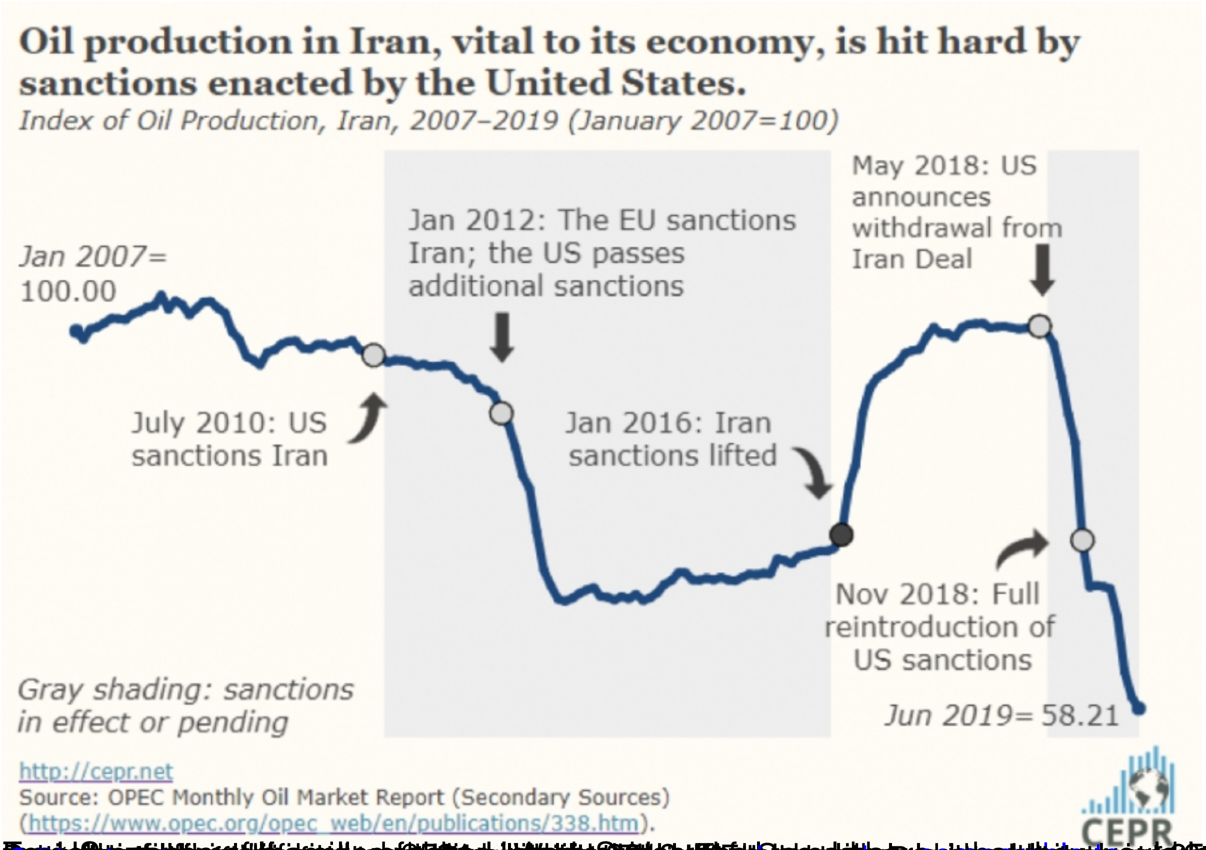
Yet other statements from US administration officials often contend that sanctions have negligible economic or social effects on the general population of Iran. For example, the US State Department's special representative for Iran, Brian Hook, recently denied that US sanctions on Iran affect the availability of medicine and agricultural products. In this argument, Hook divorces the connection between the economic damage caused by sanctions in Iran and the lack of basic necessities like medicine and food, preferring to instead lay blame on the Iranian government, not on what the Trump administration calls "targeted" sanctions.

Are the sanctions causing Iran’s economic problems, or simply a way to punish individual actors? Answering this question requires an examination of the impact sanctions have on Iran’s economy and the mechanisms by which sanctions work — two important areas of inquiry that seldom receive attention in the US press.

Sanctions Are Severely Impacting Iran’s Oil Production

Looking at Iran’s oil sector, which has been directly targeted by the sanctions regime, is a good way to get a sense of how the sanctions have affected the country’s economy, which remains dependent on the production and export of oil, according to a number of indicators . For example, around 70 percent of Iran’s merchandise exports consists of fuel. Although this dependence on oil production has decreased over the last decade, in large part due to government efforts to diversify the economy, the International Monetary Fund (IMF) reported in March 2018 (before the announcement of the resumption of US sanctions) that oil revenues accounted for nearly 40 percent of government revenues in fiscal year 2016–17, and projected a similar number for fiscal year 2017–18 (assuming, then, that there would be no new sanctions). Clearly, a large reduction in Iran’s oil production would pose significant challenges to its ability to provide services to its people, as well as maintain essential imports including some foreign-produced medicines and other healthcare and life-saving goods.

Unsurprisingly, Iran’s oil production moves very much in tandem with the enactment and repeal of broad sanctions over time (see the figure below). US sanctions in 2010 affected investment in Iran’s oil infrastructure and prohibited some international transactions. Then, in early 2012, the United States and the European Union banned oil imports from Iran and froze its central bank assets. Shortly thereafter, oil production plummeted and reached its nadir in late 2012. After the Iran Deal was enacted in early 2016 and US and EU sanctions were repealed, Iran’s oil production rapidly recovered to 2007 levels. This level of production was maintained until the announcement by the Trump administration in May 2018 that the United States was withdrawing from the Iran Deal. Since May 2018, Iran’s oil production has fallen precipitously; it is down by over 40 percent over the last year. Waivers the United States issued to purchasers of Iranian oil have expired over the last few months, eliminating one of the remaining factors that put upward pressure on production.


Oil production in Iran, vital to its economy, is hit hard by sanctions enacted by the United States.
Index of Oil Production, Iran, 2007–2019 (January 2007=100)
Jan 2007= 100.00
July 2010: US sanctions Iran
Jan 2012: The EU sanctions Iran; the US passes additional sanctions
Jan 2016: Iran sanctions lifted
May 2018: US announces withdrawal from Iran Deal
Nov 2018: Full reintroduction of US sanctions
Jun 2019= 58.21
Gray shading: sanctions in effect or pending
http://cepr.net
Source: OPEC Monthly Oil Market Report (Secondary Sources) (https://www.opec.org/opec_web/en/publications/338.htm).
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