



Sanctions against Iran: the role of pivotal rising powers

by José Luengo-Cabrera and Erica Moret

Pivotal rising powers (or PRPs) can serve as ‘global swing states’ in the international system. Characterised by their democratic regimes, increasing economic clout, geostrategic importance (located in central regional positions or at the interface of multiple regions) and sizeable populations, these states are able to play a decisive role in international affairs, the world economy and global governance structures.

Since 2006, international economic sanctions have been the key instrument used to pressure the Iranian authorities. They have been implemented both multilaterally – through the approval of United Nations Security Council (UNSC) resolutions – and unilaterally, through autonomously-imposed measures by individual actors. The latter have included those put in place by the US, Australia, Canada and Japan, and most notably by the European Union, whose trade volumes with Iran have fallen significantly, driven primarily by the sharp drop in EU oil and gas imports following the imposition of the embargo in 2012.

When it comes to the pursuit of ambitious aims, such as those regarding nuclear non-proliferation, the probability of success – measured by the complying responsiveness of targets – is higher when sanctioning states cooperate multilaterally.

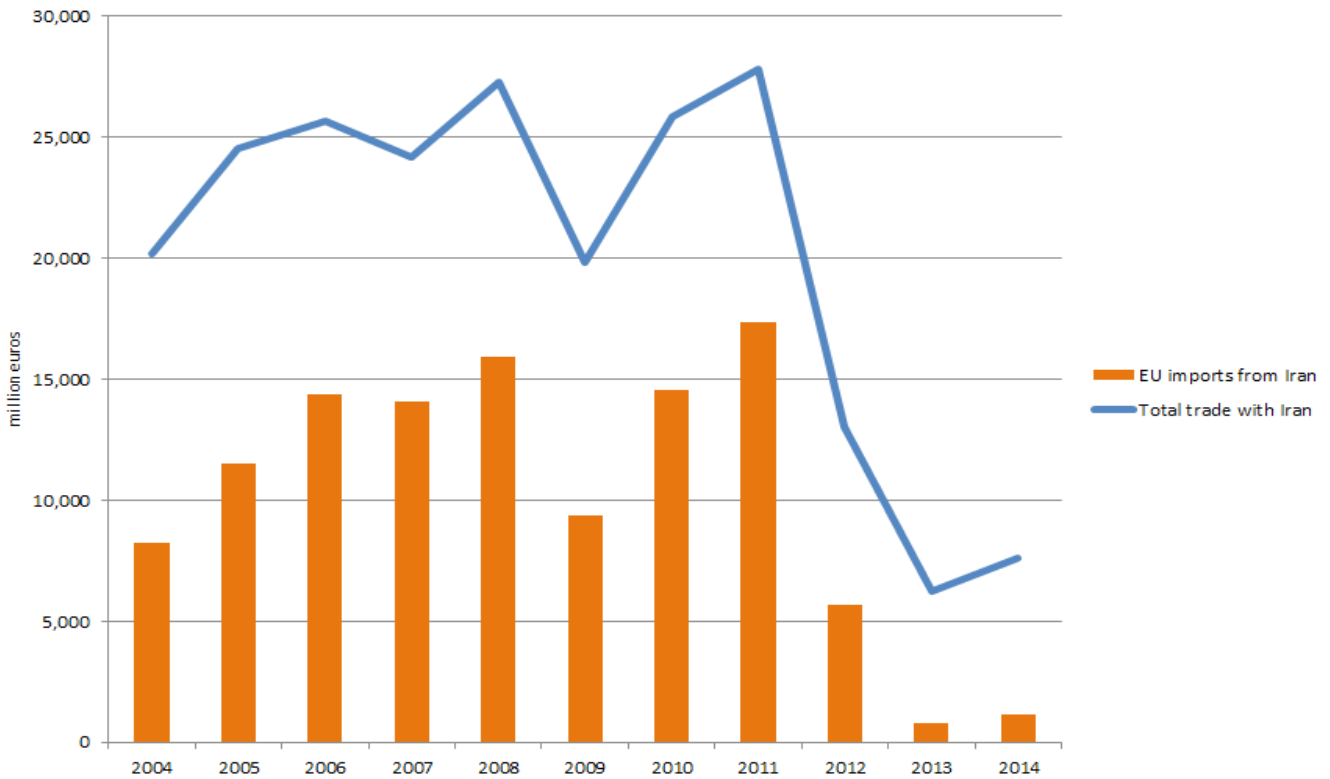
In addition, targets are found to be most adversely affected by sanctions when their trade relations with the sanctioning actors have been extensive. In the case of Iran, international sanctions have evidently imposed a burdensome cost on its economy. But the durable effectiveness of the sanctions regime may be undermined by the Islamic Republic’s ability to circumvent punitive measures by relying on alternative commercial and diplomatic partners.

To date, third-party economic support for Tehran has been one of the most important factors in helping the regime to cushion the worst effects of sanctions, particularly those targeting trade. With uncertainty still looming large at the prospect of implementing a deal over the Joint Comprehensive Plan of Action (JCPOA) anytime soon, this alternate lifeline poses a significant challenge for the E3+3 (France, Germany, the UK, China, Russia and the US) as it reduces their leverage in ongoing talks.

Consequently, the bargaining power of the sanctioning actors stands to benefit from coalescing with PRPs such as India, Brazil, Turkey and Indonesia. As members of the UN, PRPs are obliged to adhere to sanctions agreed at the UNSC under Chapter VII of the UN Charter. And, like China and Russia, they have become more willing participants in the implementation of multilateral sanctions in recent years.



EU trade with Iran



Data source: European Commission, DG Trade (2015)

Nevertheless, the readiness of PRPs to support the endeavours of the major sanctioning powers is not a given.

Opportunity costs – and benefits

PRPs tend to view and use sanctions in very different ways to the EU and its allies – particularly the US, which is the world's most prolific user of sanctions and most active actor in the field of nuclear non-proliferation. While supportive, on the whole, of UNSC non-proliferation sanctions against Iran, PRPs have frequently adopted somewhat ambiguous stances on the use of such measures.

Although they support multilateral sanctions against Iran, they have often cultivated and invested in closer commercial and political relations with the regime. The paths they choose typically depend on the degree to which opportune economic gains are valued against the support for normative rules of conduct in the international arena. Given a seemingly inconsistent pattern of voting behaviour on UNSC sanctions resolutions, the likelihood of them tipping the balances in favour of or against the sanctioning powers can vary according to economic or geostrategic cost-benefit calculations.

So long as PRPs are able to reap enough economic benefits by nurturing commercial ties with Iran – and

these are greater than the costs associated with non-alignment to Western stances (including potential punitive measures against national companies operating in either target countries or loss of trade with Western companies) – then these states are likely to express opposition to sanctions. Implementing sanctions can be costly to sanctioning states and may prove detrimental to national economic interests and hinder commercial relations with other international partners. As such, PRPs have tough decisions to make in weighing up the value of meeting domestic economic concerns against the cost of taking on a more substantial role in areas such as non-proliferation and international security more broadly.

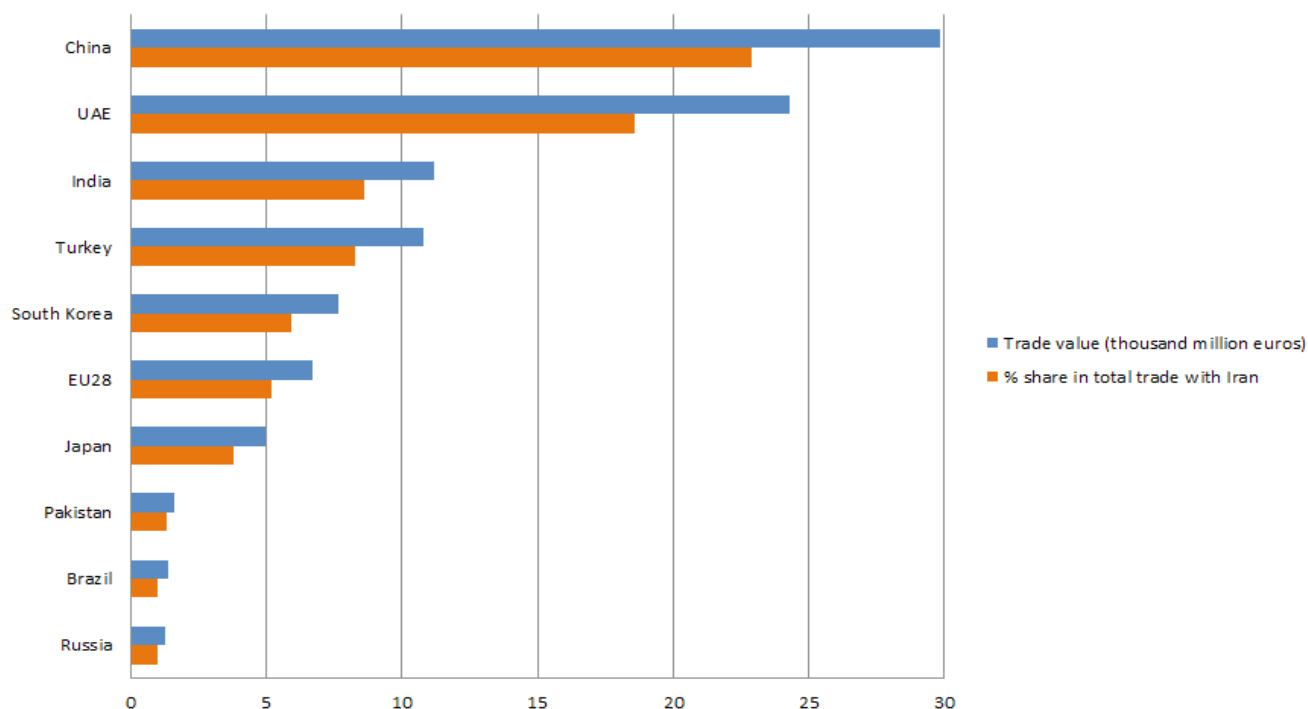
India and Turkey

The case of India-Iran relations illustrates this dilemma. The two countries are natural economic partners, especially given India's enormous and mounting energy demands. Relations between the two countries have grown closer since the end of the Cold War, including in areas such as energy, infrastructure development and military ties.

Rapprochement with Iran has helped India – home to the second-largest Shia population on earth – in its drive to diversify strategic partners in the Islamic world and increase engagement in Central Asia, particularly in the energy sector. Pursuing close



Iran's top trading partners



Data sources: Eurostat, IMF (2013)

economic and political relations with Iran, however, clearly puts India in a difficult position *vis-à-vis* the West. India requires access to US military expertise and technology in order to achieve its global ambitions and has been forced to make careful calculations in its bilateral relations to preserve and improve its own strategic interests.

Following the decrease in trade with Iran by EU member states and Japan from 2003, Asian and Middle Eastern trade increased rapidly and was particularly significant in the cases of India and Turkey – alongside China, the UAE and South Korea. India substantially increased its purchases of Iranian oil by almost 40% in 2012. This filled the gap left by reductions in imports of oil between 40-50% by China, Japan and South Korea earlier in the same year, turning India into the second-biggest oil importer from Iran after China.

Although India cut back its oil shipments in early 2013 following tightened EU and US sanctions on trade insurance companies, the Indian government went on to set up a \$360 million import reinsurance fund to support continued imports of Iranian oil. Earlier this year, the Modi government highlighted the huge benefits that can be reaped by taking advantage of opportunities created by international sanctions.

While Turkey was initially reluctant to curb trade with Iran, it has reduced its oil imports from the country

since mid-2012, although it continues to purchase up to 95% of Iran's exported natural gas. Earlier this year, Turkey's President Recep Tayyip Erdogan announced that Tehran and Ankara would double their volume of bilateral trade, while phasing out the US dollar as the dominant currency for their transactions, given difficulties in transferring funds due to sanctions.

Indonesia and Brazil

Trade between Iran and Indonesia sat at \$450 million in 2014, having plummeted from \$2 billion since the tightening of international sanctions in 2012. While a less significant trade partner at present, the Indonesian government has announced resumption of oil imports from Iran, aiming to join China, India, Japan and South Korea as the main customers for Iranian crude oil in Asia. It has cited its large population (over 250 million and the largest Muslim population in the world) and growing energy needs as motivations for increasing trade and collaboration with Iran.

Sanctions placed on materials required for nuclear enrichment can also be problematic for countries which have their own civilian nuclear programmes, as is the case with all PRPs. Brazil, for example, views access to uranium enrichment technology as key to both industrial growth and increasing wider recognition. As such, Brasilia's own domestic concerns result in it being wary of the international push to limit access to the nuclear fuel cycle, including for Iran. Brazil's

annual exports to Iran fell by 6.7% in 2012 to \$2.4 billion and remain at around \$2 billion. Despite the decline, Brazil continues to feature as Iran's top trade partner in Latin America.

Rising political influence

Non-proliferation sanctions provide a particularly useful forum for bargaining between established powers and PRPs. In assuming a supportive role towards Tehran at certain times, or through use of the nuclear crisis as a bargaining chip with the West, PRPs can be seen to be seeking to contain the influence of the US and other Western competitors and consolidate their own positions in the wider regions.

Although only the permanent members have a veto power at the UNSC, non-permanent members can influence the outcomes of resolutions on sanctions, given that 9 out of 15 votes are needed. PRPs have abstained or voted unfavourably on a number of occasions since 2006. Furthermore, actions at the UN International Atomic Energy Agency (IAEA), in Sanctions Committees or in groupings of emerging powers, can enable less powerful states to make clear their concerns and accumulate political support. This includes negotiating tactics such as lobbying, blocking, and coalition-building, alongside issuing of statements and declarations.

Such behaviour can result in the promotion of new ways of thinking that can influence non-proliferation policies on a wider scale.

Engagement down the line

Although their worldviews and strategic interests differ, PRPs – alongside Russia and China – have found common ground on a number of areas in the realm of international security. This includes opposition to interventionist foreign policies and a common stance on topics that include terrorism, climate change, trade negotiations, and the need to prioritise economic development before assuming a more prominent role in international affairs. A concerted approach, however, is far from being the rule.

PRPs employ diverse approaches and negotiating styles when operating in international institutions and when dealing with partners like the EU. They have been unable to reach consensus on a strategic way forward on most areas of security governance and tend to disagree with one another on important UN decisions, as a general rule. Moreover, they have all held non-permanent seats at the UNSC in recent years and campaign actively for further appointments, permanent membership and greater influence in governance structures. As such, while they seek

change in certain areas, they tend to work with the international system and can thus constitute formidable allies for the EU and its key partners.

Conflicts between the US and allies on one side, and Iran on the other, have helped some PRPs reap benefits by capitalising on antagonisms in order to pursue their own agendas and bolster their influence in certain domains or among particular groups. Playing the role of negotiators or promoting leadership credentials has further served these purposes. Nevertheless, most (if not all PRPs) are more likely to opt to work more closely with the EU, the US and its allies in the future – pending appropriate diplomacy – rather than opting to bandwagon within themselves or with China, due to mutual distrust and competition with one another.

In addition, PRPs do not currently appear to be forming coalitions as a rule on many areas of global governance. All these factors suggest that PRPs have potential for showing more support for sanctions over time, including those against Iran. For this to happen, however, it is essential to forge a better understanding of the motivations and strategic challenges faced by PRPs. This is of particular importance in the case of Iran, whose energy supplies make it an appealing trade partner for PRPs due to their ever-growing fuel demands.

Finally, the EU and other international actors stand to benefit from better engagement with PRPs in the area of non-proliferation. Closer work with New Delhi could help identify areas of common interest on Iran's nuclear programme. Brazil could arguably play a more active role given its distinctive characteristics as an effective mediating, bridge-building power and one that favours leadership positions which not only serve domestic interests but also those of the international community. With its nuclear civil industry and notable uranium reserves, Brazil represents a potentially powerful partner for the EU and its partners, particularly in devising new ways for making available nuclear civil technology and strengthening disarmament regimes. And efforts to support Indonesia and Turkey in their aspirations to become both regional and global leaders on non-proliferation could also be beneficial in enticing PRPs to support the endeavours of sanctioning powers *vis-à-vis* Iran and beyond.

José Luengo-Cabrera is a Junior Analyst at the EUISS.

Erica Moret is a Visiting Fellow, Programme for the Study of International Governance, Graduate Institute of International and Development Studies.

