

SECONDARY SANCTIONS AND THEIR IMPACT ON THE EUROPEAN
UNION: THE CASE OF IRAN

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ABSTRACT

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Sanctions are widely used as a response to foreign crises. The US is one of the international actors that has been imposing sanctions for a long time, but it became a particularly prominent foreign policy tool under Obama and Trump's administrations. Especially secondary sanctions, the sanction type affects the third party, which is not subject to the official sanction policy.

This work tries to shed light on how the EU's business and economy has been affected by the US sanctions imposed on Iran primarily, and the cases of secondary sanctions under other sanctions policies would be used as supplementary material. EU is not a direct party in those sanction programs and is willing to keep business ties with these countries. However, despite the EU's encouragement, EU-based companies willingly refused any economic actions towards the sanctioned countries, fearing that the US would impose secondary sanctions. This behavior has

been explained through the new concept self-sanctioning. Moreover, the EU has been trying to overcome this issue by suggesting several mechanisms to provide a stable ground for the economic ties with sanctioned countries. This is an issue that has economic repercussions and sits within the wider context of not only state to state but state to business relations. From this wider context, this thesis will focus on this primary research question: How did the US's sanctions, within the scope of the Islamic Republic of Iranian sanctions policy, affected the economic environment of the European Union under Obama and Trump's administration?

Keywords: Secondary Sanctions; Self-Sanctioning; European Union;

ÖZ

İKİNCİL YAPTIRIMLAR VE BU YAPTIRIMLARIN AVRUPA BİRLİĞİ ÜZERİNDEKİ ETKİLERİ: İRAN VAKASI

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Yaptırımlar, dış ülkelerde meydana gelen krizlere yanıt olarak yaygın olarak kullanılmaktadır. ABD, yaptırımları uzun süre uygulayan aktörlerden biri olsa da Obama ve Trump yönetimlerinde bu süreç özellikle öne çıkan önemli bir dış politika aracı haline gelmiştir. Bu noktada göze çarpan da, resmi yaptırıma dahil olmayan üçüncü tarafların etkilendiği, ikincil yaptırımlar olmuştur.

Bu çalışma öncelikle, ABD'nin İran'a uyguladığı yaptırımlardan AB'nin iş ve ekonomisinin nasıl etkilendiğine ışık tutmaya çalışmaktadır. Bu süreçte diğer yaptırım politikaları kapsamındaki ikincil yaptırımların vakaları bütünleyici veri olarak kullanılmıştır. AB, bu yaptırım programlarında doğrudan taraf olmamakla beraber yaptırım yapılan ülkelerle de ticari bağları sürdürmeyi istemektedir. Ancak, AB'nin teşvikine rağmen, AB merkezli şirketler, ABD'nin ikincil yaptırımlar uygulayacağından korkarak yaptırım uygulanan ülkelere yönelik herhangi bir

ekonomik eylemi kendileri reddetmektedir. Bu davranış, kendi kendini (öz) yaptırımlama adlı yeni bir kavramla açıklanmıştır. Bununla birlikte AB, yaptırım uygulanan ülkelerle ekonomik bağlarına istikrarlı bir zemin sağlamak için çeşitli mekanizmalar önererek bu sorunu aşmaya çalışmaktadır. Bu durum, ekonomik yansımaları olan ve yalnızca devletten devlete değil, devletten iş ilişkilerine yansıyan ve daha geniş bir bağlamda oturan bir konudur. Bu geniş bağlamdan hareketle bu tez, Obama ve Trump dönemlerindeki ABD'nin yaptırımları, İran İslam Cumhuriyeti'ne yapılan yaptırım politikası kapsamı altında Avrupa Birliği'nin ekonomik ortamını nasıl etkiledi? sorusuna odaklanacaktır.

Anahtar kelimeler: İkilcil Yaptırımlar; Öz-Yaptırım; Avrupa Birliği;

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LIST OF ABBREVIATIONS

EU	European Union
CISADA	Comprehensive Iran Sanctions, Accountability, and Investment Act.
GDP	Gross Domestic Product
ISA	the Islamic Republic of Iran Sanctions Act
JCPA	Joint Comprehensive Plan of Action
NATO	North Atlantic Treaty Organization
SWIFT	Society for Worldwide Interbank Financial Telecommu- cation
US	Unites States
UK.	United Kingdom
INSTEX	The Instrument in Support of Trade Exchanges
STFI	Special Trade and Finance Instrument
NIOC	National Iranian Oil Company
CHIPS	Clearing House Interbank Payments System
SDN	Specially Designated Nationals
EMP	Euro–Mediterranean Partnership
GCC	Gulf Cooperation Council
MEPP	Middle East Peace Process,
IAEA	International Atomic Energy Agency
IRGC	Islamic Revolutionary Guard Corps
CACR	Cuban Assets Control Regulations
IEEPA	International Emergency Economic Powers Act
EAR	Export Administration Regulations
BSR	Burmese Sanctions Regulations

ITR	Iranian Transactions Regulations
LSR	Libyan Sanctions Regulations
SSR	Sudanese Sanctions Regulations
FNKSR	Foreign Narcotics Kingpin Sanctions Regulations

CHAPTER 1

INTRODUCTION

The US has been imposing sanctions for a long time, but it became a prominent foreign policy tool under Obama and Trump's administrations. The initial idea of this research work is to analyze how effective sanctions are in the globalized world and how the actors involved in the "sanctions war," including the third-party ones, are affected by these policies.

Despite being present for a long time, sanctions are somewhat a new trend in international politics. Integration of countries into the global market has made it possible to cut off the targeted state, especially if that country is heavily relying on the export of natural resources. Sanctions have been imposed massively by the US in the last few decades. This work will try to shed light on how the European Union's business and economy have been affected by the US sanctions imposed on the Islamic Republic of Iran. The cases of secondary sanctions under the sanctions policy of Syria and other targeted countries would be used as supplementary material; the US is imposing the sanctions while the Islamic Republic of Iran, Syria, and others are the target states. European Union is not a direct party in those sanction programs and is willing to keep business ties with those countries. However, despite the European Union's encouragement, EU-based companies willingly refused any economic actions fearing that the US would impose secondary sanctions.

European Union has been trying to overcome this issue by suggesting to create several mechanisms to provide a stable ground for the economic ties between the EU and Sanctioned countries. It is also essential to see the contextual background of the EU-Iran relations to investigate whether US sanctions have been the leading cause for the policy shift. The definition, mechanisms and impact of the secondary sanctions are crucial to understand this three legged issue between US, EU and Iran, that runs across not only states but also, crucially, private companies. The primary research question is as follows: How did the US's sanctions, within the scope of the Islamic Republic of Iranian sanctions policy, affected the economic environment of the European Union under Obama and Trump's administration?

Thus, this thesis will focus on the case of the Islamic Republic of Iranian Sanctions imposed by the US and how the European Union is getting affected economically due to the secondary sanctions despite being a third party. It will focus more on the behavior of the European Union vis-a-vis sanctions and the impact sanctions have on EU.

Existing literature covers secondary sanctions and their interaction with EU- the Islamic Republic of Iran relations only partially. Some studies deal with the Islamic Republic of Iranian Sanctions, and others cover the general outcome of the sanctions policy on the European Union as a trade partner of Iran. However, there is a gap regarding the secondary sanctions usage and the iterating phenomena where EU companies refuse to deal with the Islamic Republic of Iran despite EU's giving them a free pass.

This thesis aims to make an up-to-date categorization and classification of sanctions; to demonstrate how a powerful actor, such as the US, can impose secondary sanctions on third party states, it will also try to conceptualize the behavior of private entities in these settings under the concept, *self-sanctioning*; and discuss sug-

gested solutions to overcome the sanctions by the EU. It may be essential to note what this work is not designed to do. This work is not aiming to cover every aspect of the sanction policies, neither it covers the ethical side of the implementation process. There will no be discussions on the efficiency of sanctions generally since it is one of the most popular topics in the literature already. There are plenty of works aiming to answer whether sanctions do work or not, and under which conditions sanctions work, and there are works on the impact of sanctions on the targeted and targeting states. This work will try to categorize and discuss the effects on the third party rather than the targeted state. The study will be conducted through the qualitative research, secondary-desk research in particular.

The research is designed to explore secondary and primary sources, databases, articles, policy papers, books, think-tank reports to gain more insights on the issue. Primary sources of the quantitative data are in fact the open-access data bases by the US Department Of The Treasury, Civil Penalties and Enforcement Information-OFAC Enforcement Actions By Year, Specially Designated Nationals and Blocked Persons list ("SDN List") Sanctions List Search, Eurostat data-base that provides Official European Statistics, Data provided by the European Commission, International Monetary Fund data base (IMF DATA access to macro-economic and financial data). Secondary sources are the US congressional reports, European Commission reports, books and think-tank reports on the theory of sanctions, secondary sanctions and other related matters.

This thesis is organized as follows:

Chapter two will cover the theoretical framework for this work. Define the sanctions, trace the evolution of different types of sanctions, and provide a general classification of up-to-date sanction types that exist. The classification would be followed by the new concept of *self-sanctioning*, which is conceptualized for this work and is involved in the very core of the answer to the research question.

However, in this particular part, the concept would be explained through the theoretical perspective. It would be introduced as a concept and used in the analysis part in chapter five.

Chapter three is designed to shed light on the contextual background of the EU relations with a targeted state, which is the Islamic Republic of Iran. This work will try to cover the EU- the Islamic Republic of Iran relations overall. Timewise it will focus only on the last decade to narrow down the scope. The general aim is to provide contextual background and see how these countries are linked and why the US targets the EU and its private entities within these sanction policies. This chapter will also include the topic of The EU soft power in the Middle East in general in order to see if there was a general trend of shifting relations that are not affected by the US sanctions; to show the scale of economic relations between EU and the Islamic Republic of Iran prior to and after the sanctions, and cover why the Middle East as a whole is important to the EU.

Chapter four is designed to cover the US sanctions policy towards the Islamic Republic of Iran, providing historical background to the sanctions. The motivations, methods, aims and techniques of this particular sanctions policy will be covered. This chapter will provide the relevant data on imposed sanctions in the Islamic Republic of Iran's case in an organized manner. The demands of the US and the reasons behind the selection of sectors that are sanctioned will be covered.

Chapter five, analysis, will cover the impact of the US-imposed Iranian sanctions on the European Union. The general data and cases of the implementation of the secondary sanctions would be shown and discussed within the scope of this chapter. First of all, the number of secondary sanctions cases on EU companies and entities within the scope of the sanctions imposed on the Islamic Republic of Iran would be provided, followed by these sanction cases within the other US sanction

policies. These would include the cases of secondary sanctions designed under the scope of Russian, Syrian, Cuban, and other sanction policies. Based on all this data, we will try to identify the impact of the secondary sanctions on the European Union's economy and possible policies/mechanisms which EU can implement to overcome sanctions (SWIFT, etc.). Overall, this chapter will deal with the primary questions of this thesis on the way secondary sanctions are imposed, elaborating on the reasoning, existing cases, possible targets, and the response of the European Union.

To answer these questions there would be an analysis of the data gathered around various reports by the US Congress, sanction reports, and other sources. First of all, there would be the search of the secondary sanctions imposed and their implications. Second of all, there would be an investigation of the general trend that can be traced throughout the secondary sanctions part, where companies (non-US based) chose to cut the ties with the Islamic Republic of Iran and Syria despite the significant economic loss. I will conceptualize this phenomenon using "Self-sanctioning" concept. An analysis of several companies that self-sanctioned themselves due to the sanction policies in the Islamic Republic of Iran, Syria, Russia, and others will be included. There will be an attempt to make a full conceptual background on how it works and why companies tend to do so, which companies might be falling under this category (for example, US-based companies cannot be considered). Followed by the part designed to check the bias shedding the light on other possible reasons for the EU as a whole and private entities loosening their ties with the Islamic Republic of Iran.

The final chapter, chapter six, is going to be the concluding part which would include the recap of the main ideas and the findings, discussion of the limitations of this study, some general remarks on the situation, discussion of the new concept,

self-sanctioning that was introduced in the thesis and the applicability and relevancy of the study.

CHAPTER 2

THEORETICAL FRAMEWORK

To provide a ground for this research, we have to define what sanction is. According to Haass (1998), sanctions-economic/political/military are penalties targeting a state or other entity to reshape and transform its political or other behavior, employed for a wide range of purposes (Galtung 1967; Wallensteen 1968, 2000; Doxey 1983; Hufbauer, Schott&Elliott 1990; Gary 2007). Sanctions are effective one-third of the time based on the seminal study of Hufbauer, Schott, and Elliott (1990) on economic sanctions. Some argue that economic sanctions are useless in changing the policy of the targeted state (Galtung, 1967; Wallensteen 1968, 2000; Doxey, 1971; Knorr 1975; Barber, 1979; Olson, 1979; Renwick, 1981; Kaempfer &Lowenburg, 1988, 1992; Pape, 1997; Haass, 1998; Askari et al. 2003). LaFalce (1990, p.3) describes sanctions as the tool to force a target state to follow the imposing state's demands through the threat of causing colossal economic damage. The sanction's success or failure is seen by achieving the desired change by the targeted state(LaFalce,1990; Haass, 1998). The impact is related directly to the "sending" state's capacity to create considerable economic damage through various restrictions (LaFalce,1990; Haass, 1998).

There are three elements in the sanctions: a sender, a target, and a goal (LaFalce,1990, p.6). The state which is imposing and designing the sanctions is referred to as the sender; the object which is about to be sanctioned (might be a state or states) is called the target; the goal is seen as the aim of the sending state to change the undesired policies of the target state. (Galtung, LaFalce 1990) Sanc-

tions may be imposed by one state (unilateral), by many (multilateral), or by the entire global system (universal) against the target (Galtung 1967; Wallensteen 1968, 2000; Doxey 1971; Knorr 1975; Barber 1979; Olson 1979; Renwick 1981; Kaempfer& Lowenburg 1988, 1992; Pape 1997; Haass 1998; Askari et al. 2003; Lektzian, Souva 2007; Forrer, 2017)

2.1 Evolution and Classification of sanctions

Over the years, sanctions have gone through various changes, and new types evolved due to globalization, ethical considerations, and effectiveness. There are various sanction types based on the areas they target and the way implemented by the sending state. This part will try to organize sanction types and provide a classification.

2.1.1 Diplomatic/Political Sanctions

Diplomatic sanctions are among the oldest sanctions, dated back to 1917, according to Old Dominion University United Nations Society (2020, p.3). Generally, this type of sanction aims to show the targeted state that the sending state is not pleased with its actions and policies. Thus it would cut diplomatic ties. In other words, these sanctions undermine that sending state would reduce or eliminate embassies/consulates and cancel high-level meetings with this government (Haass 1998; Cortright& David 2000; Hufbauer, Gary 2007; ODUMUNC 2020). For example, back in the 1917 Bolshevik revolution in Russia, many states imposed diplomatic sanctions on USSR. Sender states withdrew their recognition of Russia as a state and pulled their diplomats out of the state. There were no diplomats or any other diplomatic officials in the USSR from the US for around two decades as a part of its "non-recognition" policy (Schweisfurth& Theodor 1991; ODUMUNC 2020)

2.1.2 Military Sanctions

Military sanctions are not as "popular" as economic ones and are imposed/designed only in some extraordinary cases. This type of sanctions undermines the involvement of some kind of armed intervention but can vary between arms embargoes and some targeted strikes. Arms embargoes are quite a general option within the military sanction's scope. This embargo results in the prohibition of any arms transfers and is quite a compelling tool used by the international community. Military sanctions are usually imposed on countries that violated international law by attacking other countries, own citizens, or violating human rights. These sanctions do not affect citizens yet help control the "lawless" administration thus are welcomed by the international community. South Sudan, Central African Republic are the countries that currently have active arms embargoes imposed on them. Israel- Palestine, Myanmar, Sudan, Russia, and Syria would be possible targets. However, they have been "saved" from this "destiny" by the veto power of the five permanent members of the UN Security Council, which prevented/s such action (ODUMUNC, 2020). Military sanctions must be collective; otherwise, it would make no significant impact on the "violating" state.

2.1.3 Sport sanctions

As it is evident from the title, these sanctions prevent the state's sports teams/athletes from officially participating in international sports events. These were designed to grasp international attention on punished states and weaken the spirit and morals of people who reside in those countries. Sports sanctions can be named as a part of psychological warfare. One example of sports sanctions as part of the international sanctions is the Federal Republic of Yugoslavia, enacted by UN Security Council 1992–1995. Another one worthy of being mentioned is the case of South Africa's sport sanctions "boycott" imposed by the Commonwealth of Nations back in 1977 (Nauright, John; Parrish& Charles 2012). There are the

recent sanctions against Russian athletes that include Olympics of 2020/21, Tokyo and other global sports (not touching continental championships) for the four years (WADA, 2019). This sanctions were imposed by World Anti Doping Agency due to alleged state-led doping program that was taking place in Russia for an extended period (including 2014 and 2018 olympic games) (WADA, 2019). However, Russia denies all the allegations. Putin has stated at after the outbreak of all the allegations that the decision is political which is against the ethics of sport rules where politics must not be playing any role in Olympics (Nechepurenko, 2016, para. 1).

2.1.4 Cyber Sanctions

Cyber sanctions were established back in 2015 by President Obama through the executive order (US department of state: Executive Order 13694, 2015). As it is evident from the title, cyber sanctions deal with cyberspace. These sanctions target individuals/entities that can threaten the national security, foreign policy, economic health, or financial stability of the United States through cyberspace (US department of state: Executive Order 13694, 2015). Cyber sanctions are designed to deter the entities/individuals that profit by creating cyber attacks to collect secret information/data/trade secrets, which may harm the US's economy or any other conditions. The recent case of the Cyber sanction imposition is related to Russia; the US specifically blames Russia's foreign intelligence service, the SVR, for the SolarWinds attack, which gave cyber-criminals potential access to 18,000 government and private computer networks and also the case of the Russian intervention in the US elections in 2016.

2.1.5 Economic Sanctions

Economic sanctions refer to the partial or total impedance of trade relations between target and sender for an avowed purpose or goal (Hufbauer& Schott;

LaFalce 1990). Economic sanctions may include limiting, or rupturing, imports from the target, exports to the target, and financial relations between sender and target (Hufbauer& Schott; LaFalce 1990). Economic sanctions are imposed to raise the costs of the undesired policy pursued by the sanctioned country (Lektzian& Souva 2007). Targeting a leader's winning coalition has been proven to be effective in nondemocratic states; it is "easier" to shake nondemocratic states due to few individual targets, whereas democratic state's leaders are more accountable to the public. This difference leads to different behavior and outcomes, especially when it comes to the economic pressure (Kaempfer& Lowenburg 1988, 1992; Pape 1997; Haass 1998; Askari et al. 2003; Lektzian& Souva 2007). Poorly designed sanctions may cause collateral damage; it would affect the general population but not the leader and elite; thus, it must be thought through well (Lektzian& Souva 2007; Forrer, 2017). Ensuring economic sanctions are properly designed requires a sophisticated understanding of global economic markets, global supply chains, and global business (O'Sullivan 2003; Lektzian& Souva 2007; Forrer, 2017). Economic sanctions may be conventional or targeted.

Conventional Economic Sanctions

Conventional Economic sanctions are designed to sanction the country as a whole; as was mentioned above, this would lead to the partial or total impedance of trade relations between target and sender for an avowed purpose or goal (Hufbauer, Schott; LaFalce 1990). Economic sanctions may include limiting, or rupturing, imports from the target, exports to the target, and financial relations between sender and target as a whole (Hufbauer& Schott 1990; LaFalce 1990; Lektzian& Souva 2007). For example, the US sanctioning the Islamic Republic of Iran and banning any trade between these countries.

Conventional sanctions can be described as a "pain-gain" structure, where ordinary people suffer the most and then pressure the administration to change their

policy (Tostensen& Bull, 2002). This scenario would work in the countries which already have internal problems and strong opposition. Otherwise, people are just bound to suffer. This side is criticized the most by the international community, which considers that citizens must not be collateral damage and should not suffer.

Targeted Economic sanctions

Targeted Sanctions or "smart" sanctions are designed to target specific groups of people or individuals within the target state (Tostensen& Bull, 2002). We are talking about elite groups here. Tostensen and Bull (2002) argue that there are two features of smart/targeted sanctions. First, smart sanctions target the people behind undesired policies and actions, making it an efficient tool to punish responsible people (Tostensen& Bull, 2002). Second, smart/targeted sanctions are not imposed on a whole country as a Conventional one. Thus this eliminates the exposure of innocent civilians to the sanctions.

In comparison, smart sanctions target the elite directly and eliminate side effects from conventional economic sanctions. However, designing smart sanctions is extremely difficult. It requires detailed information on the internal situation and elites, information on economic, military, and political support groups that shape the target regime (Cundu, 2017).

2.1.6 Financial sanctions

Financial sanction is like a subbranch of an economic sanction implemented massively in the last decades. It is a result of a so-called "evolution" of economic sanction. In the last one and a half-decade, thanks to globalization and "financialization," economic sanctions have been implemented primarily through the use of financial channels (Cundu, 2017). In other words, economic sanctions transformed and have taken a new form of financial sanctions. Modern times require

modern solutions. States and non-state actors can be subject to these sanctions. The whole point is to cut the targeted state/actor out of the global financial system, which is similar to cutting oxygen for people. In the age of globalization, this results in massive destruction of the economy; the state will have no capital flow, which is essential for trade and various investments. Aside from cutting access, financial sanctions also include freezing of assets of a targeted state. Several studies examine the cases of North Korea, the Islamic Republic of Iran, and Russia (Torbat, 2005; Kwak& Joo, 2007; Brewer, 2016; Carter& Farha, 2013; Orlova, 2016; Gurvich& Prilepskiy, 2016). A study conducted analyses financial sanctions imposed on the Islamic Republic of Iran by the US through the essential financial mechanisms and payment systems such as Fedwire, CHIPS, and SWIFT (Carter & Farha, 2013). Denied access to these systems has resulted in a catastrophic outcome for the Persian economy. For example, none of the students here can get any money transfers from their country (family or any other entity) because their banks cannot use the SWIFT system.

Financial sanctions can also be conventional or smart/targeted. Conventional ones eliminate the access to the financial system of the state as a whole and freezing the assets of the same state, whereas the targeted/smart ones target specific people and groups of people (elite groups) this may be freezing of their personal assets abroad and denial of access to the financial system for the entities owned by the sanctioned person and his/her family.

2.1.7 Primary Sanctions

There are several ways of how and on whom sanctions may be imposed. Primary sanctions refer to the sanctions that are imposed on the targeted country/ organization/individual and have some key characteristics. (O'Sullivan, 2003; Geranmayeh& Rapnouil, 2019). Globalization has changed many things, includ-

ing the effectiveness of the traditional economic sanctions, which led to the "re-formulation" of the ways the sanctions are imposed (Geranmayeh& Rapnouil, 2019). Within the scope of the primary sanctions, individuals and the sanctioning country's companies are prohibited from engaging in any economic activities with the targeted country. If the US is the sanctioning country, it has the jurisdiction to prohibit US persons, companies based on the US territory and abroad from making any transactions with the sanctioned country (O'Sullivan 2003; Geranmayeh & Rapnouil, 2019)

2.1.8 Secondary Sanctions

Secondary sanctions refer to the "sending" country sanctions that can prohibit third parties such as individuals and firms from doing any economic activities with the targeted country by cutting them off from its own market (Geranmayeh& Rapnouil, 2019). i.e., the US can cut off business people and companies from making transactions in the US market (Geranmayeh& Rapnouil, 2019).

Secondary sanctions are not imposed on foreign subsidiaries directly. Instead, the US prohibits its own companies and People from having any economic ties with these entities, which is entirely within the state's rights (Forrer 2018; Geranmayeh& Rapnouil, 2019). This type of sanctions is applied to pressure other countries to join the sanctioning country. Foreign countries have to choose: to keep good economic ties with the US and follow their sanction policies or be cut off from the US market, lose access to the financial market. (Forrer, 2018; Geranmayeh & Rapnouil, 2019).

Failure to adhere to economic sanctions by the third parties means denied commercial relations with the sanctioning country (Forrer 2018, p.3). Secondary sanctions extend a sanctioning country's capacity to cause economic harm in the sanc-

tioned country. However, they add risk by introducing the possibility of incurring conflicts with allies or adversaries (Forrer 2018, p.7). The US has a capacity to cut entities from the financial market, freeze the assets, and restrict them from the market in general. Thus it can impose secondary sanctions successfully; However, not all states have the same amount of economic/political power, which limits their actions (Forrer 2018, p.10).

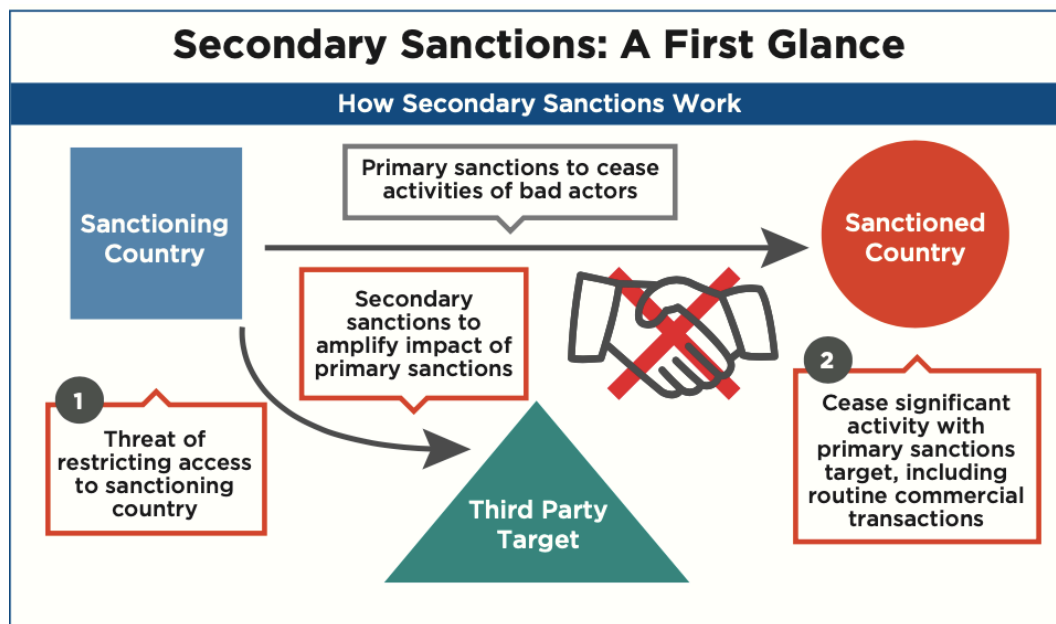


Figure 1

(Forrer, 2018, p.4)

Secondary sanctions may be confused with the extraterritorial sanctions; these are not the same. In the second case, the sanctioning country extends its economic sanctions policy and applies it to the foreign-based company outside of its jurisdiction (considered illegal). In the first case, the sanctioning state prohibits its own companies from doing business.

2.1.9 Extraterritorial sanctions

Extraterritorial sanctions are generally confused with secondary sanctions since both "target" third-party countries which are not US-owned, but there is a difference. In the case of secondary sanctions sending state is cutting the third party from any access to itself. If the US is the one sanctioning the Islamic Republic of Iran, then the companies outside US jurisdiction that decided to keep ties with the Islamic Republic of Iran would not have access to the US economy anymore, be it the financial market or US-based companies. These parties would be subject to the SDN list. Whereas through the extraterritorial sanctions sanctioning country can expand its sanctions to foreign-based, third party companies. Basically, in the first case (SC) the US is applying its jurisdiction to its entities to stop any transactions with the foreign-based company, while in the second case (extraterritorial sanctions) the US is sanctioning the foreign-based company itself. Helms-Burton Act, back in 1996 (Pub.L. 104–114, 110 Stat. 785, 22 U.S.C. §§ 6021–6091;), is one of the examples of extraterritorial sanctions imposed by President Bill Clinton on foreign companies that engaged in the "wrongful trafficking in property confiscated by the Castro regime" through trade with and investment in Cuba (US Congress, Pub.L. 104–114, 110 Stat. 785, 22 U.S.C. §§ 6021–6091; 1996). The Helms-Burton Act undermined that US-based multinational corporations must direct and affect foreign-based subsidiary companies. This has sparked various protests against this act and called these actions illegal. The act was met with protests from countries where the foreign subsidiaries were located, which argued that these acts were illegal. This is one of the reasons why the US relies on Secondary Sanctions more than on extraterritorial sanctions, which are considered illegal according to International Law.

Another case of extraterritorial sanctions application was in 1982. President Reagan imposed extraterritorial sanctions that prohibited foreign subsidiaries of US

companies from providing parts and services to construct a pipeline linking the Soviet Union to Western European customers (Egan & Jeydel, 2017).

European countries have objected to extraterritorial sanctions and tagged them "illegal" under international law because they were improperly "extraterritorial." European countries initiated WTO proceeding on the US imposed extraterritorial sanctions, and together with Canada, they passed "blocking" statutes that prohibited their companies from complying with the US sanctions on Cuba (Egan& Jeydel, 2017). The WTO dispute was resolved in 1998, with both parties agreeing at the time.

Afterward, the US found a way to overcome these issues and changed how they dealt with these foreign companies and no longer applied these prohibitions to foreign subsidiaries of US firms (Egan& Jeydel, 2017).

It is essential to distinguish these two types since extraterritorial sanctions are illegal and can be "disputed," whereas Secondary sanctions are considered legal. In the case of secondary sanctions sending state is prohibiting its own firms and individuals from conducting any commercial relations/transactions; prohibiting own entities is within the jurisdiction and is entirely legal under the International Law.

2.1.10 Sectoral Sanctions

Sectoral sanctions are relatively new and were introduced by the OFAC aftermath of the Ukrainian crisis and sanctions related to the issue. The US so far had secondary sanctions, sanctions based on specific lists, country-based sanctions, and now has sectoral sanctions.

The main difference is that the entities subject to sectoral sanctions are not subject to "blanket prohibitions"; instead, US-based individuals/entities are not allowed to

engage with these entities in specific sectors (military, financial, energy, etc.) The Russian sectoral sanctions imposed aftermath of the Ukrainian crisis are targeting financial and energy sectors specifically. (OFAC sanctions attorney, n.d). Specific types of transactions, such as financial and energy-related transactions, are prohibited for US persons. Like the Venezuelan sanctions, the OFAC 50 percent rule is strictly enforced in Ukraine-related sectoral sanctions (OFAC sanctions attorney, n.d).

On December 22, 2015, the United States Department of Treasury explicitly listed all entities and their subsidiaries on the sectoral sanctions identifications list using a human-readable search (US Treasury, 2015).

The table down below has been done in order to show the differences between the primary, secondary and sectoral sanctions. This table provides main characteristics of these three sanction types and clarifies on whom and how the sanctions work.

Table 1. The differences between the primary, secondary and sectoral sanctions

Sanction type	Subject persons	Transactions	Target
Primary	-US citizens & permanent residents -Individuals physically present in the US (not citizens) -Entities owned/controlled by a US person -Entities under the US laws	-Deals in which a sanctioned individual/country has any interest, direct or indirect. -Export, re-export, trade of goods/services/, direct or indirect	-Country, or any individual/entity -Specially Designated National (SDN list)
Secondary	-US citizens & permanent residents -Individuals physically present in the US (not citizens) -Entities owned/controlled by a US person -Entities under the US laws	-Discreet, specific transactions or activities -Knowledge and materiality required	-Designated third country entity/individual -Specially Designated National (individual or entity)
Sectoral	-US citizens & permanent residents -Individuals physically present in the US (not citizens) -Entities owned/controlled by a US person -Entities under the US laws	-Narrowly defined transactions or activities within specific sector -Transactions linked to specifically identified person or entity within specific sector	-Identified sector of the economy -Sectoral Sanction Identification (SSI) individual or entity

2.2 Self-Sanctioning

Self-sanctioning is a concept developed here in order to explain the actions of the third-party-based companies within the given sanctioning program. In the data collection and analysis processes, I have encountered behaviour from the EU based companies that did not fit to the sanctioning conceptualization presented above. So, in this particular research, self-sanctioning is a concept which outlines the behavior of the European Union (and other states) based companies that self-sanctioned themselves and cut any ties with the targeted state entities (the Islamic Republic of Iran) in order to protect themselves from the sender state (the US). The sender state, which has the capacity and power to sanction a targeted state unilaterally, also can influence third-party-based companies despite them being separate entities. The US can impose sanctions due to its political and economic power. The dollar is the main international currency that helps the US control the world's financial market , along with the fact that International financial institutions are either US based or under its influence, and the fact that the US has a vast market. Third-party entities/companies prefer to stay away from the sanctioned state's economy and cut any ties with the targeted state despite losses since the implications of secondary sanctions are way more severe than the loss they face due to the cutting of ties. We witnessed a wave of companies ending the deals with the Islamic Republic of Iran's entities after the US announced the withdrawal from the deal and imposed sanctions. Basis and explanation of this concept will be outlined in chapter five. Examples and evidence will be provided to give a full picture of self-sanctioning behavior. The current theoretical tool set does not cover this phenomenon and this work will delve into the data to understand this behaviour.

CHAPTER 3

BACKGROUND OF EU-IRAN RELATIONS

3.1 The European Union's soft power in the Middle East

Nye introduced the concept of soft power back in 1980 and defined it as an ability to achieve goals and persuade others without any force and coercion. On the contrary, hard power refers to the coercive approach utilized by countries to influence others and achieve the goals mainly through the use of hard military power. Nye (1980) argued that states need both soft and hard power in order to be successful and accomplish their long and short-term foreign policy goals. The EU has been using soft power for its foreign policy objectives in the Middle East in general, whereas the US is known for using harsher policies. There are various debates on the reasons behind each respective state's policies. It is generally accepted among academics that the EU uses soft power policies in order to attract new members and partners/allies through the promotion of European values and identity and using the absence of the EU army as a symbol of promoting peace and human rights (Beitler, 2006).

The current relations between the EU and the Middle East undoubtedly were affected by the history and the interactions between the regions back then. The Middle East had played a land-based trade route to the Far East for the European Colonial powers for centuries before the sea routes were discovered (Beitler, 2006, p.118). The decline of the Ottoman Empire and the rise in the production of military technologies and goods by the European powers opened the gates into the

Middle Eastern region (Anderson, Seidbert & Wagner, 1998; Beitler, 2006). Germany maintained good ties with the Ottoman Empire, while Britain and France used the region as a hegemony muscle-flexing ground (Beitler, 2006, p.118). During the first world war, Britain and France were negotiating on the post-war Middle Eastern region division, in other words having a discussion on which power would control which area in the Middle East. The well-known Sykes-Picot agreement, which defined the areas, was ratified in May 1916 (Smith, 1988; Anderson, Seidbert & Wagner, 1998; Beitler, 2006).

The Middle East has always been important for European peace due to its geopolitical position as a crossroad/bridge function between three different continents (Chryssochoou & Xenakis, 2003; Beitler, 2006). The fact that the region is also a neighboring one with the Europe multiplies its significance since any instability in the region would affect the European states in various ways, including the massive inflow of refugees and the loss of access to the crude oil supplies (Chryssochoou & Xenakis, 2003; Beitler, 2006). Beitler (2006, p.120) explains that aside from the geopolitical reasons, the other factor that shapes Europe's policies towards the Middle East is the European idea/perception that the integration and cooperation would lead to positive changes and bring long-awaited stability in the region, increasing the human security. 1957 Treaty of Rome demonstrates the European views on settling and resolving the conflicts through diplomatic negotiations rather than the implementation of coercive power (Miller, 2004, p.124). The rule of law, commitment to the shared institution, and interdependencies have been based on the EU's ideas and *raison d'être* (Miller, 2004, p.124). The EU has an "idealistic" view while shaping its policies towards the Middle East, whereas the US has been seen as the one following the *realpolitik* using coercive power.

Saleh (1999) emphasized that the European approach to the Middle East from 1970 to 2000 included several segments such as Euro-Arab dialogue, Euro-

Mediterranean Partnership (EMP), and broadening of relations with the Gulf Cooperation Council (GCC). The Euro-Arab dialogue was an attempt to bolster economic cooperation (Hopwood, 1983). The Euro-Mediterranean Partnership was initiated after the Barcelona Conference in 1995 and formalized the relations between the EU and twelve Mediterranean states (Cyprus, Israel, Egypt, Algeria, Turkey, Tunisia, Syria, Malta, Jordan, Lebanon, Morocco, and Palestinian Authority) (Hopwood, 1983; Saleh, 1999; Chryssochoou, Xenakis, 2003; Beitler, 2006). The Euro-Mediterranean Partnership was established in order to coordinate previous unharmonized and chaotic bilateral policies establishing clear rules of the relations through the common principles and norms as well as the arrangement of the “new” security framework based on cooperation going beyond traditional collective security (Chryssochoou, Xenakis, 2003, p. 48). European behavior was shaped by its belief that the Mediterranean did not present any military security problems but rather was a source for the socio-economic problems, which can be resolved through the intensification of economic relations with its states (Youngs, 2003, p.414). It was also widely believed that the economic development in the region would boost the creation or development of already existent civil societies, which would inevitably lead to democratization (Otte, 2004). Then, the EU tried to establish close relations with the Gulf Cooperation Council in order to deepen the relations with the Gulf states.

All of these developments and policies indicate one thing, European states preferred a different approach from the one US imposed in the Middle East and rejected the use of military power because Europeans considered institutional linkages more effective in building and promoting stability in the region. Thus, this was, among other reasons, behind the EU’s establishing and further deepening the links between various economic and political institutions, which can be seen as soft power tools in the long term.

European States did not necessarily agree with the US's actions in the Middle East and were assured that the hard power would not change much. For example, during the 1970-80s, European states, primarily Italy, were against the United States' attempt to isolate Syrian and Libyan governments (Hoffman, 1999, p. 74). Another case of the EU being against the use of hard power in the region was the Libya-supported terrorist bombing of a disco in West Berlin, which resulted in the American soldier casualties (Hoffman, 1999, p. 74). The US retaliated and bombed Libya, France and Spain disagreed with the US actions and did not allow the use of its air space by American forces for the attack/raid (Hoffman, 1999, p. 74). European media later commented on the US's actions and voiced its concerns over the possible increase of terrorism and violence in the region due to the American retaliation (Hoffman, 1999, p. 74). Hoffman (1999, p. 74) indicates that European states tried to oppose the US's sanction plans but failed to do so and eventually implemented Libya's sanctions.

Despite the same objective of establishing stability in the region and democratization, European states do not demand rapid change prior to negotiations (Beitler, 2006, p.120). In contrast, the US demands the regime change prior to any negotiations and agreements, as in the case of the Palestinian Authority when US President George W. Bush's insisted on democratization before any peace process talks (Beitler, 2006, p.120). Yasser Arafat was declared a non grata person and was subject to "isolation" by the US and Israel post 9/11 terroristic attack (Beitler, 2006, p.120). However, the EU kept in touch with Arafat since they believed that it is better to make regime changes gradually for the regional security since careful transition would be established better than the regime imposed from the out facing the internal opposition and alienation.

Looking at the contemporary approach utilized by the EU in the wider Middle East (the Maghreb and the Mashreq together with Israel and the Islamic Republic

of Iran), it can be noted that the EU does not have any single overarching policy which defines its relations with Middle Eastern and North African states (Hollis, 2011). The policies are divided into various sub-units and parts categorized by the sub-regions or issues. For example, the EU has policies and agreements related to Mediterranean states in the form of EMP-Euro–Mediterranean Partnership, MEPP-Middle East Peace Process, dialogue with Gulf Cooperation Council (GCC), and separate policies for the Islamic Republic of Iran and Iraq and other sub-part/state policies (Hollis, 2011). According to Commission, external relations are developed by Union as separate initiatives for different geographic areas categorizing through the division of regions like Mediterranean, Gulf and/or singling out some states like the Islamic Republic of Iran and Iraq, as well as the conflict between Israel and Arabs (Hollis, 2011). This categorization has been done due to various factors such as historical ties, economic condition, the presence or absence of the US and geopolitical position, etc. Over time aside from the US, other states have become increasingly present in the region like China, Russia, India. Generally, European Union tries to keep the Middle East in its periphery through the “European Neighbourhood Policy” enacted in 2004 (Beitler, 2006).

Overall, it can be noted that the EU takes two main factors into account while shaping its policies towards the Middle East. The first one is migration, the instabilities in the region result in a massive wave of people migrating to the European Union seeking asylum, challenging/shaking its domestic position and creating various problems such as terrorism, increasing crime rates, the clash between the local citizens and refugees, unemployment rates and many more. Another prominent factor is the stable access to the energy markets of the Middle Eastern states since they act as both the land route for the oil from the Gulf and also the very source of the energy resources. The instabilities and conflicts in the region threaten the energy security of the EU, which is trying to diversify its markets.

Touching upon the differences in the foreign policy approaches of the EU and the US, it can be noted down that despite having the same goal (democratization of Iran), their actions can be marked on the different ends of the spectrum. Due to its values and beliefs, European Union shapes its policies with Iran in a way that would help it transform in the long term. The core idea behind the soft power usage of the EU is that the development of economic conditions in Iran would inevitably lead to further transformations not only in the region but also within the state itself. The economic development would promote stability and peace in the region resulting in a gradual shift towards democracy. EU shapes its policies that try to pave the way for this economic development and deal with Iran subtly while cooperating with Iranian authorities.

Although the US has the same interests and wishes to promote democracy in Iran, it acts differently. It tries to pressure the Iranian government to get the required results, while the EU tries to work with it to influence the difference from within. In other words, the US tries to isolate and pressure the state to achieve the desired result (case of full pressure sanctions, for example), whereas the EU believes that isolation is not the answer. European way suggests that integration and increased economic/institutional links would push for change and transformation. Economic stability would spill over to other aspects. These are the reasons behind the European Union's push for the nuclear deal and why it is still trying to bring the US back to the deal while trying to contain Iran committed to the deal by trying to overcome the sanctions to decrease the economic impact of the US program.

3.2 The EU Relations with the Islamic Republic of Iran

Abrahamian (1982) has stated that the US became Iran's main political partner aftermath the European powers' decline during the Cold War; underlining that there was a shift in the relations leaning towards the economy away from the po-

litical sphere between European countries and Iran (Abrahamian, 1982). This has been the case until the 1979 Islamic revolution in the Islamic Republic of Iran, resulting in the deterioration of the political and economic relations with Europe and the full “cutting” of ties with the US.

Despite the decline in relations between the European states and the Islamic Republic of Iran, European countries did not stop diplomatic relations like the US. Academics agree that the economic and political relations between the two were revived after 1980-1988 the Islamic Republic of Iran-Iraq war and faced another wave of decline after the massive controversy over the Islamic Republic of Iran’s nuclear program in 2003 (Beitler, 2006, p.126). The issue of 2003 was controversial and shocking for the international community since the Islamic Republic of Iran ratified the Treaty on the Non-Proliferation of Nuclear Weapons (entered into force on the 5th of March 1970) and assured the world that it would not develop nuclear weapons and would use nuclear power/energy for the peaceful purposes such as supplying with the energy, etc. International Atomic Energy Agency (IAEA) reported in 2003 that the Islamic Republic of Iran has been conducting some secret activities with nuclear radioactive materials. There has been a request by the United Nations Security Council, which demanded the Islamic Republic of Iran to report on its programs and activities. The Islamic Republic of Iran refused to cooperate with International Atomic Energy Agency on the issue. Around the same period, France, Germany, and the UK, the so-called E3, were a driving force behind the negotiations with the Islamic Republic of Iran and international society to solve Iran’s nuclear program problems. The EU High Representative has joined the E3 in 2004, which undermines the support of all the EU member states in these negotiations (Geranmayeh, 2015, p.6)

The EU members argue that thanks to the European soft power Iran, rather than the US’s hardline stance, Iran agreed to open up for the nuclear inspection in 2004

(Beitler, 2006, p.126). Black (2003, para.9) reported the words of a European diplomat who stated that Iran chose to comply with the request for the check not due to the fear of the EU military capabilities or the US, it is rather due to their desire to keep economic ties and good relations with the European states. Tarock (1999, p.41) explained that Iran perceives European Union as a counterweight to the United States post-Iranian Revolution in 1979; it was a power that could help to neutralize the various US pressuring policies and sanctions. This explains the Iranian perception towards Europeans and does explain to a certain extent its actions.

There were two extensive proposals presented by the E3 and High Representative (in 2005 and 2006) to promote the peaceful nuclear energy programs to the Islamic Republic of Iran's authorities throughout negotiations. Despite these proposals being supported by Russia, China, and the US, the Islamic Republic of Iran did not agree to comply with the International Atomic Energy Agency's requests and chose to follow the same path, as a result of the Islamic Republic of Iran's non-compliance United Nations Security Council made four resolutions N 1696, 1737, 1747 and 1803 calling for the suspension of Uranium-235 enrichment as well as any other related activities along with the imposed restriction for the purchase of any nuclear or ballistic materials by the Islamic Republic of Iran (Davenport, 2021). The policies were renewed in 2008 by the European Union.

The situation got even more complicated during the populist Mahmoud Ahmadinejad (2005–2013) presidency and the mass protests after the 2009 elections, which caused great controversy and debates, protests were harshly suppressed (Adebahr, 2015). The EU has called out the Islamic Republic of the Iranian government for the human rights violations of its own citizens, causing diplomatic tensions. The EU started supporting the multilateral sanction programs outlined by the UN against the Islamic Republic of Iran and later on designed its unilateral

sanctions against the Islamic Republic of Iranian government in 2010, which has resulted in the significant economic decline of the Islamic Republic of Iranian economy (Adebahr, 2015).

The attempts by E3 were ongoing and became more or less productive when Hassan Rouhani, known as a “moderate-minded,” became the president of the Islamic Republic of Iran in 2013. Negotiations progressed over the course of two years, starting as a Joint Plan of Action in 2013, which evolved into the July 2015 Joint Comprehensive Plan of Action (also referred to as an Islamic Republic of Iran nuclear deal) enacted in Vienna between the Islamic Republic of Iran and the P 5+1 which included China, France, UK, Russia, the US (permanent members of the UN Security Council) and Germany, along with the European Union (Davenport, 2021). Another notable agreement is the “Roadmap agreement” enacted together with the Joint Comprehensive Plan of Action between the Islamic Republic of Iran and the International Atomic Energy Agency (Davenport, 2021). The nuclear deal included 159 pages and five annexes. According to the US government reports, the Islamic Republic of Iran’s uranium stockpiles were supposed to be reduced to 300 kilograms for 15 years which is a reduction by 98 percent for the Islamic Republic of Iran (Joint Comprehensive Plan of Action, 2015).

Moreover, the level of enrichment of uranium must be 3.67 percent at maximum, and only 6104 out of 20 000 centrifuges the Islamic Republic of Iran owns can be retained (Joint Comprehensive Plan of Action, 2015). Overall this plan dictated the limitations for the Islamic Republic of Iran’s nuclear program in return for the relief of economic sanctions imposed. The signing of The Joint Comprehensive Plan of Action by the Islamic Republic of Iran terminated all the nuclear-related European Union sanctions and reshaped the EU- the Islamic Republic of Iran relations from the confrontation to cooperation.

Touching upon the economic side of the relations between the EU and the Islamic Republic of Iran, according to International Monetary Fund data (data.imf.org, 2021) before the 2010 sanctions, the EU was the Islamic Republic of Iran's top trading partner, making up more than a quarter of the Islamic Republic of Iran's goods trade. With the sanctions, the EU's position dropped to eight percent, and China became the biggest trading partner of the Islamic Republic of Iran with 25 percent, followed by the UAE, which made up 17 percent, and Turkey with 10 percent (Cimino-Isaacs& Katzman, 2017, para. 2). The situation was "fixed" after adopting The Joint Comprehensive Plan of Action, and EU imports from the Islamic Republic of Iran skyrocketed with 347 percent growth compared to pre-deal conditions before 2015 (Cimino-Isaacs& Katzman, 2017, para. 2). This resulted from the resumed imports of fuel and mining products. However, it still did not reach the initial pre-sanctions trade levels. EU exports to the Islamic Republic of Iran increased by 28 percent, mainly goods related to machinery, chemicals, and transport equipment (Eurostat, 2017). In 2017 the Islamic Republic of Iran had shipped its largest monthly shipment of crude oil to the EU since 2011.

National Iranian Oil Company (NIOC) was rising after the lifting of sanctions and was planning to reclaim the European market shares; 31 percent of oil exports of National the Islamic Republic of Iranian Oil Company were to the European energy market in 2016, this number increased to 34 percents in 2017 (Cimino-Isaacs&Katzman, 2017, para. 3).

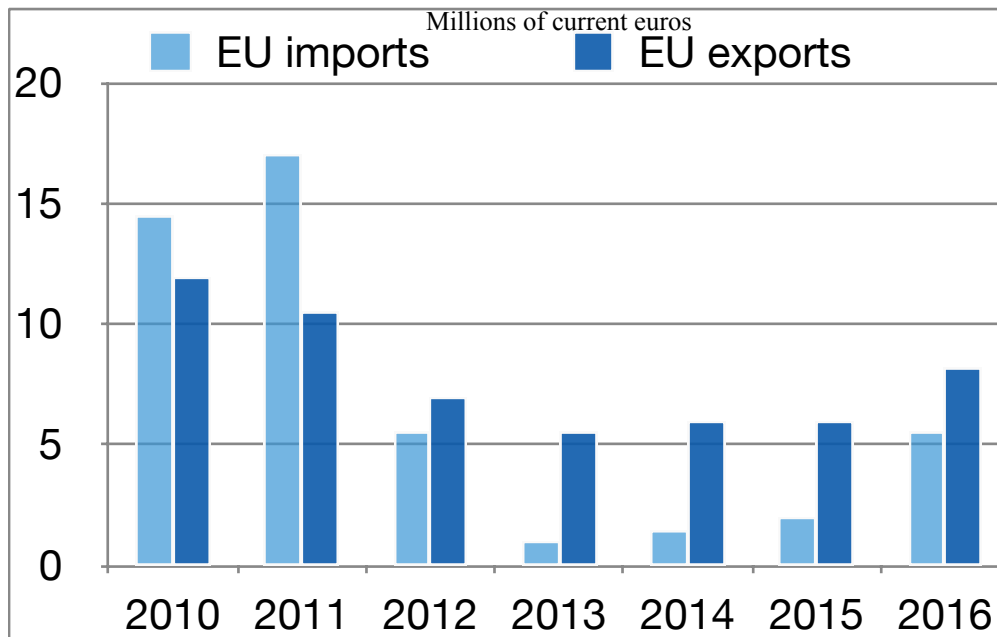


Figure 2; EU-Iran Goods Trade (Eurostat, 2017)¹

There is a drastic decline in trade due to European Union Sanctions Against the Islamic Republic of Iran as of 26 July 2010 across various sectors; the gradual rise is observed post-Iran nuclear deal. Based on the European Commission's report, the trade picture of 2020 between the EU and the Islamic Republic of Iran is as follows.

The EU is the second biggest trade partner of the Islamic Republic of Iran, 17.5 percent of the Islamic Republic of Iran's imports are coming from the European Union, and 5.1 percent of the exports went to the European Union in 2020. Before the current US sanctions regime, the EU used to be the biggest and the most important trade partner of the Islamic Republic of Iran. The total amount of trade between the two countries in 2020 is €4.5 billion, €0.7 billion worth the EU imports from and €3.8 billion exports to the Islamic Republic of Iran in goods and €1.5 billion two-way service trades in 2019 with EU imports worth up to €0.7 billion

¹ This chart has been compiled from the data provided by the Eurostat on EU-Iran goods/ services trade 2010-2016

and €0.8 billion of exports (Data by European Commission, Countries and Regions: Iran, 2021). The charts and table below overview the trade flows and balance between the Islamic Republic of Iran and the EU from 2010 to 2020.

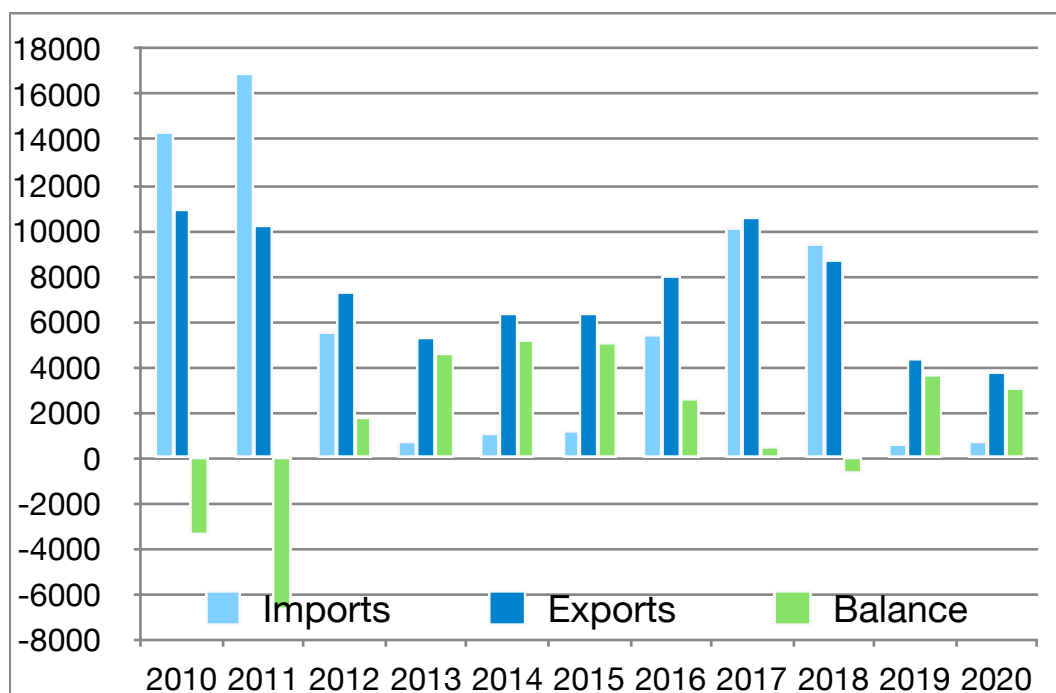


Figure 3. European Union, Trade with Iran 2010-2020; (Eurostat, 2020)

Pre-sanctions level of trade is not reached yet despite the EU's attempts to normalize it; in fact, we see a gradual increase post the Islamic Republic of Iran nuclear deal and a drastic fall after the US withdrew from the agreement and re-imposed all of the sanctions on the Islamic Republic of Iran. Despite the sanctions being imposed unilaterally by the US, which means that the EU is not a party to this sanction program, the EU- Iran trade has declined due to the US's capabilities.

Total goods: EU Trade flows and balance							Source Eurostat Comex
Period	Imports			Exports			Balance
	Value Mio €	% Growth	% Extra-EU	Value Mio €	% Growth	% Extra-EU	Value Mio €
2010	14,310		1.0	10,991		0.8	-3,319
2011	16,909	18.2	1.0	10,294	-6.4	0.6	-6,615
2012	5,515	-67.4	0.3	7,260	-29.5	0.4	1,745
2013	751	-86.4	0.0	5,356	-26.2	0.3	4,606
2014	1,118	48.9	0.1	6,316	17.9	0.4	5,198
2015	1,221	9.2	0.1	6,348	0.5	0.3	5,126
2016	5,461	347.2	0.3	8,060	27.0	0.4	2,599
2017	10,099	84.9	0.6	10,570	31.1	0.5	472
2018	9,425	-6.7	0.5	8,711	-17.6	0.4	-714
2019	680	-92.8	0.0	4,398	-49.5	0.2	3,718
2020	713	4.8	0.0	3,750	-14.7	0.2	3,037

% Growth: relative variation between current and previous period
 % Extra-EU: imports/exports as % of all EU partners i.e. excluding trade between EU Member States

Figure 4. EU, Trade with Iran 2010-2020; (Eurostat, 2020)²

However, it is worth noting that the relations between the EU and Iran deepened post-JCPOA nuclear deal. High-ranking politics had visits and meetings; trade grew substantially, tourism increased, etc (European Commission, 2018). The EU has a different position than the US (which withdrew from the deal) and opposed the impositions of the sanctions. Moreover, the European Union states have started planning on the special ways of by-passing the US sanction in order to keep the economic ties.

² This chart has been compiled from the data provided by the Eurostat EU- Goods Trade. Annual data 2010-2020

CHAPTER 4

UNITED STATES SANCTIONS POLICY: THE CASE OF IRAN

4.1 Background on the sanctions of Iran

Iran has been subject to sanctions by the US since the 1979 Islamic Revolution that overthrew the Shah of Iran (Katzman, 2021). Shah used to be a close ally of the United States, the revolution disrupted relations and gave a start to the long-lasting sanctions that were imposed, updated, and redesigned for decades. The sanctions imposed between 1980-the 90s were mainly designed for demanding the cutting of ties of The Islamic Republic of Iran with terrorist activities and limit Iran's power in the Middle East in general. Despite the majority of the US sanctions being imposed to restrain and stop Iran's nuclear program, there are multiple other "threats" taken into consideration in those sanction policies, such as the link to terrorism, human rights abuses, etc. (Rennack, 2014).

Despite the longevity of the sanction programs imposed, those "initiatives" were not supported by the international community until 2006, primarily linked to Iran's nuclear program due to the International Atomic Energy Agency's report back in 2003 with the check-ups later in 2004 (Kerr, 2014). Based on Katzman's 2021 report for Congress (RS20871) it is evident that despite Iran being the subject to sanctions since 1979, those sanctions were designed by the US as a retaliation to the 1979 hostage crisis of US officials in Iran and were not broadly welcomed by other actors and international institutions who preferred to keep the ties with Iran for various economic and political reasons. The objectives behind the

US sanctions on Iran developed and evolved over time. US aims can be traced within distinctive periods. First, sanctions were imposed post-Islamic revolution and hostage crisis and were designed as a means to stop Iranian authorities from having ties and sponsoring terrorist groups. Thus 1980s sanctions were the means to limit terrorism and to restrain the rise of Iran in the Middle East. In the mid-1990s, there is a shift in the US perception, and the main threat from Iran's side was the development of a nuclear arsenal and various missile programs that may bring instability in the region and worldwide. For these reasons, the US was trying to reduce/decrease Iran's military capacity.

Up till 2006, the sanctions were primarily unilateral by the US only with not much support from the international community. Since 2006, primarily in 2010, the international community agreed with the need to sanction Iran due to its covert nuclear program and risks it may impose on the world; United Nations designed multilateral sanctions on Iran, with the support of the US and the EU, which later in the same year imposed its own sanctions on Iran (Katzman, 2021, p.37). This period was noted by the imposition of comprehensive trade sanctions by the US, the EU, and multilateral sanctions by the UN. The driving force behind this joint initiative was Iran's secret nuclear program despite its ratification of the Treaty on the Non-Proliferation of Nuclear Weapons.

The next period was a period of "detente" after the Joint Comprehensive Plan of Action was enacted and Iran agreed on the conditions demanded by the International society. Katzman (2021,p.50) argued that Iran's decision to enter into this agreement was primarily the effects of the sanctions imposed on Iran due to its nuclear program. In between 2011 and 2015, Iran's economy was in downfall due to the massive decrease in oil exports, the oil exports fell by 50 percent, and Iran was unable to access its foreign assets abroad as a result of unilateral and multilateral sanctions imposed by the US, the EU, and the UN (Katzman

2021,p.50). Iran entered the deal and agreed upon the regulation on its nuclear developments for peaceful purposes only.

The deal was that Iran would decrease its uranium enrichment to 3,67 percent, uranium stockpile in general, and use only 5,060 centrifuges (old first-generation ones) to ensure that nuclear activities in Iran are done only for the peaceful use of nuclear power. This was all supposed to be ensured by the regular IAEA checkups in return for lifting some sanctions. As a result of this agreement, Obama Administration lifted some sanctions which were imposed on Iran's oil, finance and banking sectors due to the nuclear program; in other words, only the sanctions imposed for this specific reason were partially loosened or lifted up; the sanctions imposed back in 1980-1990s were still in place since they were imposed due to other matters such as terrorism, human rights violations and Iran's efforts to acquire advanced missiles and conventional military technology (Katzman; 2021, pp.40-41). United Nations Security Council Resolution 2231 was about keeping in place an existing ban on Iran to import and export arms up until October 18, 2020, and non-binding restrictions on the buildup and advancement of ballistic missiles that are nuclear-capable, which is in place up until October 18, 2023 (Katzman, 2021, p.37).

The ease of the sanctions allowed Iran to enable its economic growth after the long downfall after the deal was done and approved a couple of business delegations from the EU member states' headed to Iran to conduct business talks and meet Iran's business actors (Katzman, 2014). Despite the lifting of some sanctions on the oil export of Iran, the limitations were still there under the JPA period. Iran could not export more than one million barrels per day, compared to the 2.5 million barrels per day back in 2011; in other words, under these regulations, oil customers could not increase or decrease their oil purchases significantly due to imposed limitations. Moreover, most oil purchasers decreased the amount of oil purchased to play safe and be under the stated regulated amount to avoid any penal-

ties possible. After the deal, the US created special waivers which allow Iran's National Oil Company to have transactions with other entities, and the EU permitted the application of insurance for the ships that carry crude oil from Iran (Katzman, 2014, p.7). Central Bank of Iran and Iranian financial institutions were also permitted to regain access to the SWIFT system; Moreover, it became possible to get financial assistance to trade with Iran as well as the possibilities of obtaining advantageous loans and other financial support for Iran (Katzman, 2014, p.7).

Iran agreed to have its nuclear program for peaceful purposes only, and JCPA was excepted to "contribute to regional and international peace and security." Under this deal the UNSC resolutions (1696 (2006), 1737 (2006), 1747 (2007), 1803 (2008), 1835 (2008), 1929 (2010), 2224 (2015)) related to Iran's nuclear program were terminated (JCPoA, 2015).

The next sanctions period after the "detente" can be referred to as post-JCPA, and it is still ongoing. Trump was the one who initiated this period characterized by the reimposition of nuclear-related sanctions on Iran after opting out of the deal. May 8 of 2018 has been noted down in history as the day when the US, under the Trump administration, ended participation in the JCPOA, followed by the reimposition of all sanctions by November 2018. Trump has designed the "maximum pressure" policy on Iran, which was aimed to promote the US interests beyond nuclear programs within the "redesigned" JCPOA. The maximum pressure policy undermined the reimposition of previous sanctions and the addition of new ones in order to maximize the pressure on Iran. The imposition of all the US sanctions affected Iran's economy negatively and pushed it into recession.

Trump's administration sanctioned various Iranian officials as well as some other pro-Iranian fractions and militias in the region. Despite this maximized pressure, the Iranian government proceeded with the development of its missile capabilities

and arms. Moreover, Iran continued its support of the armed groups in the Middle East, rejecting the possibility of the negotiations on the expanded JCPOA (Katzman, 2021). While the US was acting this way, the EU members were hoping to keep Iran within the agreement through the economic benefits and trade in return for the slowing down of the nuclear program. Despite these actions from both the EU and the US, Iran did not change its course and continued to support provocative actions in the Persian Gulf and Iraq as outlined above, while diminishing the amenability of the nuclear agreement directives. They were followed by some radical actions by the Trump administration prior to the US presidential elections.

4.2 The Sanctions Imposed on Iran

The following part is designed to shed light on the sanctions imposed on Iran over time by the US, unilaterally and/or as a party to multilateral sanctions, in chronological order, elaborating on the causes and the type of the sanctions and general development.

Table 2. Sanctions imposed on Iran

Year	Sanctions	Development & Reason	Sectors/bans
1979	US: Trade Expansion Act International Emergency Economics Power Act	• Hostage crisis	• banned the imports of Iranian oil and exports of various goods to Iran • Ban on military assistance or aids to Iran. • \$12 billion worth of Iranian assets (properties and accounts in the US-based banks) were blocked by the administration. * Bans excluded food and medicine-related goods.
1981-1982	Algiers Accords of 1981	• After the negotiations, Iran and the US made an agreement in Algeria, which led to the lifting of the sanctions in 1982.	• Lifting of the sanctions in 1982
1983-1984	Export Administration Act.	• The bombing of the US barracks in Beirut by Islamic radical groups based in Lebanese Hezbollah • The declaration of Iran as a “state sponsor of terrorism” in 1984	• foreign aid, credits/loans, grants, aircraft equipment/ammunition; the aid on the arms sale to Iran. • Restrictions on the US-based companies' sales of dual-use items. • The US required its representatives to vote to oppose any multilateral lending to any country identified as a terrorism supporter. • US declared it would stop any foreign assistants/fundings to the countries/organizations that continue to provide financial assistance to Iran.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
1987	Foreign Assistance Act of 1961 International Security and Development Cooperation Act of 1985	- control over various drugs, illegal money transfers, and money laundering. - Iran's support of the terrorist groups and their activities, also taking down US flag vessels. - Iran's adverse and negative position throughout the Iran-Iraq peace process.	- banned from any financial aid by Ex- Im Banks and Overseas Private Investment corporations. - The US representatives in the international banks voted against Iran while making decisions on giving credits, loans, and financial assistance. - The ban of Iranian goods and services import, including crude oil, excluding petroleum products. - Strict restrictions on the export of various goods to Iran due to
1989-1991		The US intelligence found evidence on Iranian capabilities to produce weapons of mass destruction	ban to export any crucial chemical elements involved in creating biological and chemical weapons to Iran.
1990	Iraq Sanctions Act	non-proliferation	The act undermines the ban of any dual-use item exports to Iran.
1992	Iran-Iraq Arms Non-proliferation Act National Defense Authorization Act	- non-proliferation - Iran increased the amount of its high-tech military equipment which triggered a response from the US	- Restriction on foreign entities from selling weapons of mass destruction other weapons that can potentially destabilize the numbers and other advanced conventional types of weapons. - strengthened the ban on the export of dual-use items to Iran.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
1995	International Emergency Economic Power Act Executive Order 12959, 12957	Iranian actions against the Middle East peace process as well as the support of terrorism and military proliferation of weapons of mass destruction.	Trade and Investment sanctions
1996	Iran Sanctions Act (ISA)	Iran's support of terrorism.	The act was done to prevent investments in the energy sector of Iran. **This act is significant due to the fact that it included the feature of extra-territorial sanctions. In other words, these sanctions outlined the punishment of the third countries too. "Ancestor" of secondary sanctions.
1997	Executive Order 13059	The US consolidated and clarified previous sanction orders imposed.	Under these clarifications, the US administration banned US-based companies' export to any third party state, which later incorporates those products for the goods sold to Iran.
2000	Iran Nonproliferation Act 38	Nonproliferation	sanctions targeted foreign individuals and other entities/corporations (not other states or governments) that aided/sold/traded/helped Iran obtain weapons of mass destruction.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2001	Executive Order 13324	• War on terror, • Harshened all the existing sanctions on entities and states linked to terrorism, Iran included. • Most of the restrictions were aimed at targeting Al Qaeda entities, but some Iranian entities were included in the list of designated terrorist entities. • George W. Bush administration continued war on terror and labeled Iran as an “an axis of evil” in 2002.	• The 9/11 attack caused the US administration’s designation of sanctions that aim to freeze all the US-based assets of entities that are by any means connected to terrorism
2005	Executive Order 13382 :Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters	• Nonproliferation	• to freeze all the assets (bank accounts, properties, etc., based in the US) owned by the supported and suppliers of the mass destruction weapons. • Any transactions within the US by any US-based person/entity with those suppliers identified on the list are prohibited and subjected to sanctions.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2006	UN Security Council Resolution 1737	The resolution was made due to Iran's confirmed uranium enrichment program after the 2002-2003 IAEA warning about unauthorized nuclear developments in Iran.	- impede the ongoing construction of a heavy water reactor in Arak, Iran; - ratify the IAEA Safeguards Agreement "additional protocol"; - freeze all the assets of the specially designated entities in the resolution, this also includes travel ban; - prohibit the sell of any types of equipment related to the production of nuclear/missile programs.
2006	Iran Freedom Support Act (US)	- promotion of Democracy in Iran. - This act of congress enabled the use of \$10 million dollars by the President of the US to fund the initiatives of the pro-democracy groups opposing the Iranian government. - act declared that the US would pursue its policies based on the promotion of democracy and human rights in Iran.	- Amendments were made in the sanctions about Iran's nuclear program: - the US eliminated the condition of having an "actual knowledge" related to entities relations with Iran. - Additional sanctions if person/entity aids/funds Iran's development of weapons of mass destruction/conventional weapons. - broadening the scope of the entities listed in the sanctions included. US investments (government or private) in Iran were banned.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2007	UN Security Council Resolution 1747	Iranian nuclear program and proliferation of weapons of mass destruction.	- the freezing of assets of listed entities; - travel ban; - a multilateral ban on exports of arms and mass destruction weapons to Iran by any entities/states; - restrictions on the sale of pieces of equipment for the nuclear and missile program;
2007	Executive Order 13438 the US	related to Iran's links to the International terrorism and regional activities.	The order aimed to enforce sanctions on Iran that was allegedly supporting terrorist Shiite groups with military arms in Iraq and some Qods Force Officers.
2008	UN Security Council Resolution 1803	Iranian nuclear program and proliferation of weapons of mass destruction.	- UN security council resolution was designed to limit/stop the Iranian R&D uranium enrichment program in regards to centrifuges and uranium enrichment. - the US froze the assets of Iran's Central Bank in Citigroup account.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2010	UN Security Council Resolution 1929	Iran's uranium enrichment program.	- The assets freeze - travel ban; - Restrictions to stop developments of Iran's nuclear program as well as ballistic missiles program; - Withhold any Iran's investments in foreign programs/projects mining uranium; imposing restrictions for any transactions with Iranian banks; - Ban of any financial aids to Iran by states or other entities as a form of loans/credits/investments/aids etc.; - restrictions on trade with Iran (or any other shipping and cargo activities)
2010	Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) The US.	- nonproliferation, - human rights, - terrorism, - money laundering	- full import ban on any Iranian goods - Export ban to Iran ** except the goods related to the export of food, medicine/medical pieces of equipment, information technology, civilian aircraft, and other goods related to promoting democracy in the region and Iran in particular.
2011	Executive Order 13572	- Iranian government's human rights abuses - the repression of the Syrian people.	- sanctioned Iranian Qods Force Officers - and Qods Forces in general.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2012	Executive Order 13599 Implemented 1245 section of the FY2012 National Defense Authorization Act (P.L. 112-81).	• Anti-laundering act • Iran's illegal money laundering actions impose substantial risks to the International financial system	• Iran's Central Bank and other parties/entities involved in the "illegal" actions and the Iranian government were sanctioned. • US financial institutions seized Iran Central Bank and some other related entities' assets based in the US. • US citizens prohibited from making any deals with Iran and related entities; • Financial institutions banned/rejected any type of transactions with the Iranian government and related entities. • FY2012 National Defense Authorization Act authorizes the use of secondary sanctions by the US • 38 entities and listed them under Iranian entity titled "Execution of Imam Khomeini's Order". • EIKO was characterized as a massive tool to control the extensive "off-the-books investments" by The Department of the Treasury
2012	Executive Order 13606	• mainly persons linked to human rights abuse through the various information technologies	• The act blocked multiple Iranian properties and suspended the entry of certain listed individuals two the United States.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2012	Executive Order 13608	• This order granted the US Treasury Department the power to sanction and designate any foreign entities linked to the Iranian government and other entities that aid/help Syria or Iran to evade overcome international sanctions.	
2012	Executive Order 13622 Iran Threat Reduction or Syria Human Rights act. an addition to the National Defense Authorization Act for the 2012 fiscal year.	• Human rights violations, • terrorism, • UN compliance, and nuclear program.	• sanctioned various private and public entities that made transactions with Iran despite having the information about the existing ban on the purchase of Iranian crude oil. • Iran was unable to attain any hard currency earned by transactions that were exempted.
2012	The Iran Sanctions, Accountability, and Human Rights Act of 2012 (H.R. 1905)	• Sanctions Accountability • Human Rights	• targeted the companies/entities that conducted business with Iran's prominent national oil companies and tanker fleets, predominantly entities related to the insurance and the companies that act as shippers.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2012	Executive Order 13628	Additional sanctions under the Executive Order 13622	implemented some sanctions set onward the sanctions imposed under the Executive Order 13622 and imposed various additional sanctions on Iran on top of the existing ones.
2012	The EU sanctions	EU imposed unilateral sanctions on Iran due to its unauthorized nuclear program.	- Banned exports of gas and oil from Iran instead of other multilateral sanctions already imposed on Iran. - Denied access to SWIFT.
2013	Executive Order 13645		38 Iranian entities/companies added to the SDN list (companies dealing with oil, petrochemicals, and investments) - Prohibited specific transactions with Iran's entities/companies in the automotive sector as well as with private entities/persons that were listed on the Specially Designated Nationals and Blocked Persons list by the US Treasury Department, as well as the entities/persons that got their properties blocked/frozen under the order and the Executive Order 13599.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2014	Sanctions related to the anti-Weapons of Mass Destruction actions under Executive Order 13382 (2005).	Weapons of Mass Destruction	- Various entities/individuals were sanctioned, including: - Organization of Defensive Innovation and Research; Nuclear Science and Technology Research Institute; Jahan Tech Rooyan Pars; Mandegar Baspar Kimiya Company. - Muhammad Javad Imanirad, Arman Imanirad, Sazeh Morakab, Ali Gholami, and Marzieh Bozorg etc.
2014	Additional sanctions within the scope of the energy-related designations (Executive Order 13645)	energy-related designations Executive Order 13645	- Abdelhak Kaddouri (NICO and Swiss Management Services Sarl); Muzzafer Polat (Petro Royal FZE); Seyedeh Hanieh Seyed Nasser Mohammad Seyyedi (daughter of sanctioned Seyed Seyyedi, Faylaca Petroleum's Managing Director). - Entities listed: Faylaca Petroleum, Lissome Marine Services LLC.
2014	Related to Executive Order 13622	for Material Support to the Central Bank of Iran or the Purchase or Acquisition of the US Dollar Bank Notes by the Government of Iran	Asia Bank, Khavarmineh Bank, Ghavamin Bank, Gharzolhasaneh Resalat Bank, Kish International Bank, Kafo-latbank. Meraj Air, Caspian Air, and Yas Air Alias: Pouya Air airlines were also subjected to those sanctions for non-compliance.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2014	Executive Order 13608, Executive Order 13382, Executive Order 13224; Executive Order 13382, Executive Order 13645.	listing of new entities related to these EOs	listing of new entities related to these EOs
2015-2016 Adopted on 18 October 2015 and implemented on January 16, 2016.	Joint Comprehensive Plan of Action;	_____	_____
2016	US president Obama lifted nuclear-related sanctions on Iran through an executive order.	The order about the lifting of the sanctions by the US was implemented after the UN “watchdog” confirmed and certificated the accomplishment of the requirements under the nuclear agreement by Iran.	- The certificate given allowed Iran to benefit from the easing of the nuclear-related sanctions imposed on Iran by the US and UN; - However, sanctions imposed for other issues such as terrorism, human rights abuse, and missile activities remained active since the JCPA agreement was related to the nuclear program of Iran only.
2016	Iran Sanctions Extension Act passed by the Senate and President Obama.	The extension allows the US to reinstate the sanctions (initially passed in 1996) in case Iran breaks the nuclear deal and continues its undesired nuclear program.	

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2017		• Despite the lifting of the nuclear-related sanctions, the rest of the sanction programs remained in place. • OFAC commented that Iran continues to support terrorism and keeps developing its Ballistic missile program, which poses a massive threat worldwide, be it on the regional scale or more. • Sanctions were imposed right after the news that Tehran started testing the medium-range ballistic missiles.	• Thirteen individuals and twelve entities were added to the sanctions list due to the connections to Iran's ballistic missile program and its Islamic Revolutionary Guard Corps (IRGC).
2017		• terrorism	• The US sanctioned two Bahrainis due to their affiliation with Iran for the support of terrorism. One of the sanctioned individuals was linked to the al Ashtar Brigades, which received various support (funds etc.) from the Iranian government and later made terrorist attacks on Bahrain.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2017	North Korea, Syria, and Iran Nonproliferation Act.	• Washington declared the Iranian Ballistic program as a primary regional threat along with terrorism. • Since the trial tests, the US imposed severe additional sanctions on the entities/individuals that are somehow linked to Iran and its ballistic missile program. • These measures were a part of broader moves by the US under the North Korea, Syria, and Iran Nonproliferation Act.	• Eleven additional entities and individuals were added to the sanctions list for the export of items/goods that were sensitive and could possibly be used for the ballistic program by Iran.
2017		• Together with the Treasury Department, State Department released a report on human rights by the Iranian government to inform Congress. • At the same time, President Trump made a statement that the US is not planning on reducing Iran's sale of oil, committing to the previous decision and commitments under the nuclear deal.	• Three individuals and four entities got sanctioned by the Treasury Department (including some networks based in China) as a punishment for the support of Iran's ballistic missile program.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2017		- Iran's ballistic program as well as due to the support of Iran's military procurement - Iran's Islamic Revolutionary Guard Corps (IRGC) "an Iran-based transnational criminal organization and associated persons."	- Additional 18 entities/individuals were subjected. - Moreover, the Treasury Department designated five personas and seven companies/entities for the engagement in Iran's military procurement and Islamic Revolutionary Guard Corps and criminal organizations as mentioned.
2017	Trump signed a bipartisan bill.	this act enables and directs the US president to impose sanctions against Iranian missile and weapons of mass destruction programs.	- This bill imposed sanctions on Iran and Russia. - The bill also increased the power of the US president (Trump at the time) to sanction individuals that had a link to North Korea—countering America's Adversaries Through Sanctions Act that includes the provisions to counter Iran too. The act is also known as Countering Iran's Destabilizing Activities Act of 2017. - Limitations were restricted on the trade/transfer of any military types of equipment or other related technical/financial aids to Iran the Islamic Revolutionary Guard Corps (IRGC) by any parties/entities

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2017		Iran's Revolutionary Guard Corps or any networks that were responsible for cyber-attacks against the US financial institutions.	- Treasury Department of the US sanctioned around eleven individuals and entities that support Iran's Revolutionary Guard Corps or any networks that were responsible for cyber-attacks against the US financial institutions. - The sanctioning of the entities happened the same day when the US administration extended sanction waivers on Iran under the agreements of the Nuclear Deal.
2017		Iran's Islamic Revolutionary Guards Corps Qods Force (financial aids and etc.)	- The U.S. Treasury Department sanctioned numerous individuals and entities for the links and support of Iran's Islamic Revolutionary Guards Corps Qods Force (financial aids and etc.) - Qods Force was labeled as a destabilizing entity engaging in various states' affairs while supporting terrorism in them.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2018	Executive Order 13846	• this order was a follow-up after Trump decided to withdraw from the Joint Comprehensive Plan of Action, stating that Iran broke the agreements. • Trump decided to reimpose all the sanctions previously lifted and encouraged the same from an international community.	• This order reinstated all the sanctions on Iran that were lifted by the US previously within the scope of the 2015 nuclear deal or Joint Comprehensive Plan of Action (JCPOA).
2019	Executive Order 13871	• Non-proliferation	• bans on any transactions with Iran's metals sectors (iron, steel, aluminum, and copper).
2019	Executive Order 13876	• Promotion of Democracy	• sanctions designed to restrict and "attack" the supreme leader of Iran, Ayatollah Ali Khamenei. • Moreover, this order enabled the US Treasury Department to sanction any officials/individuals appointed by the supreme leader, including individuals and entities that by any means support his office.
2020	Executive Order 13902	• Non-proliferation	• blocked any transactions with and entry to the US financial system for any entity/individual with a link and operated in the manufacturing, mining, construction, and textiles sectors of Iran.

Table 2 (continued)

Year	Sanctions	Development & Reason	Sectors/bans
2020	Executive Order 13949	Authorized the imposition of secondary sanctions on individuals/entities that support Iranian nuclear program or/and supports Iran's missile and conventional arms-related activities/programs.	Third-party entities

³ Data compiled from the following resources: Ale-Rassol (1993), Alikhani (2000), Torbat (2005), Kerr (2014), Rennack (2014), Kaya (2017), Katzman (2018), Katzman (2021), US Department of the Treasury (2021), US State Department-Executive Orders (1989-2021), UN Security Council Resolution 1929, UN Security Council Resolution 1803 (2021)

CHAPTER 5

DATA ON EU ENTITIES AND ANALYSIS

5.1 Secondary Sanctions on the EU entities/companies

Most of the existing literature mainly covers the effects of economic sanctions on the target states while either completely ignoring third-party states/entities or slightly touching upon them. In the era of globalization, nothing can be isolated, especially if sanctions are extraterritorial. In fact, the more the target state is integrated into the global economy, the more is the impact on third-party states/entities. Based on the Directorate-General for External Policies of the Union (2020), sanctions imposed on states that have been well integrated into the global economy chains would inevitably result in the spillover effects onto third party states while leading to some knock-off regionally and internationally. This means that the impact on third parties is directly dependent on the integration level of the target state before the sanctions. Basically, the impact on the third-party state can be estimated by the economic/trade relations that the target state has with the third-party state and its status.

The case of European Union in this sanctions programs is more than just a matter of political economy. In fact, this situations goes to the very core of the International Relations and shows how multipolar system works. The decreasing political capacity of the US pushes it to resort to economic capacity it still holds due to the nature of global financial system. It has been using the sanctions as an effective economic tool to achieve political goals. This can also explain the stance

of the EU which is trying to divide its economic and political relations with the US in the face of this developments.

This study aims to fill in the gap in the existing academic literature through the investigation of the EU's case as a third party within the Iranian sanctions.

European Union has been an unwilling party to the US sanctions as a subject to secondary sanctions. Before, when the US imposed extraterritorial sanctions, the EU could complain and call those illegal since EU-based companies are outside US jurisdiction. However, secondary sanctions overcame these issues. As outlined in chapter two, secondary sanctions are not imposed directly on the third-party state and its entities. Rather, the US prohibits and sanctions its own entities from doing any business with the secondary sanctioned entities. Thus, since the US restricts its entities, secondary sanctions are completely within the state's rights. In the face of such sanctions, the EU-based companies and entities had to choose whether to keep their economic ties with the US and its entities or continue trade with sanctioned states and, as a result, be cut off from the US market lose access to the financial market. (Forrer, 2018, Geranmayeh&Rapnouil, 2019). Secondary sanctions became a severe problem for the European Union generally since the EU is not necessarily supporting the US sanctions and is willing to keep economic ties with some of the sanctioned states. Numerous European Union-based companies and entities were subjected to multiple secondary sanctions, whereas some EU-based companies preferred self-sanction and kept good relations with the US.

5.1.1 Current Data on Sanctions

Based on the data published by the US treasury department (Civil Penalties and Enforcement Information, 2021), there were 201 cases of sanctions violations by the companies and individuals in the period between 2009-2019. One hundred

ninety-one entities that made violations were the companies, while the other 10 were individuals. These 201 cases were sanctioned in the form of fines. The US department of treasury received a total of \$5.6 billion, necessary to mention that this is the amount paid to the treasury department only; the total amount is much higher since, in some cases, the companies were fined by the Department of Justice or the Department of Commerce (Timofeev, 2019, para. 16). Based on the data provided by the Department of Treasury 133 cases (out of 201) were imposed on US-owned companies or US individuals (Timofeev, 2019, para. 16). Thus, secondary sanctions for the violations of the sanctions were mainly imposed on the US entities, Americans themselves. 68 cases out of those 201 were started due to the sanction violations by all the foreign individuals and entities, and the majority of those are EU based. 40 cases out of 68 accounts the fines imposed on the EU entities. Those 40 consists of 15 British entities, five German firms, five French companies, and five Netherland-based companies (Timofeev, 2019, para. 17). Sweden has paid fines three times previously; Italians paid two, while Belgium, Austria, and Danes-based firms paid the fines once. A Luxembourg-based firm was fined once as well (Timofeev, 2019, para. 18). Timofeev (2019, para.19) reports that the European companies paid 83% of \$5.6 billion worth of fines. In other words, EU firms have paid \$4.6 billion worth of fines out of \$5.6 billion. Based on the data provided by the Department of the Treasury, US companies (that account for 133 cases out of 201) paid 3% of the total fine amount only, which is \$177.2 million Timofeev (2019, para.19). So the most significant share of payments was completed by the smallest group, while the biggest group reportedly paid the least fine. The speculation whether it was done deliberately or a coincidence is ongoing, and I do not have enough expertise to make any statements on how the US administration has made such a decision.

5.1.2 Financial Sector: Banks

If we delve more into this case, we can see that 22 cases out of 40 reported about the EU-based firms are actually banks (Department of Treasury, Civil Penalties and Enforcement Information, 2021). European Banks paid more than \$4.5 billion between 2009 and 2019. BNP Paribas has paid the biggest bulk, the settlement amount with the Department of Treasury was \$963 million (Department of Treasury, Civil Penalties and Enforcement Information, 2021); BNP Paribas was subject to probation for five years after the court in the US ruled its action unlawful and ordered it to forfeit \$8,9 billion and \$140 million fine, \$963 millions out of these were transferred to the Department of the Treasury as mentioned above (Department of Treasury, Civil Penalties and Enforcement Information, 2021). British Standard Chartered Bank was fined for over \$650 million, UniCredit Bank was also found to be guilty of unlawful transactions, specifically its German, Italian and Austrian Branches (Department of Treasury, Civil Penalties and Enforcement Information, 2021). ING Bank of Dutch origin was pledged guilty and had to pay \$619 million in 2012 (Department of Treasury, Civil Penalties and Enforcement Information, 2021). HSBS British bank was also fined \$375 million in 2012. Based on most of the fines, the average amount paid by banks in Europe to the US is above \$200 million (Timofeev, 2019). This is due to the fact that some of the fines were not as massive as the ones listed above. For example, Royal Bank of Scotland was fined for \$33 million in 2013.

The most recent case of the fines imposed on the European banks is the sanctioning of Union de Banques Arabes et Françaises (“UBAF”). The French bank entered into a settlement with OFAC and agreed to pay \$8 million for illegal transactions that violated the US sanctions restrictions (Department of Treasury, Civil Penalties and Enforcement Information, 2021). As it is evident, banks are the primary targets sanctioned and fined for transactions; Timofeev (2019, para.23) ar-

gues that there are subjective and objective reasons behind the targeting of the banks.

Sometimes banks deliberately and knowingly chose not to abide the US restrictions. Moreover, many banks try to hide/not include/lie in their reports about the transactions to escape punishment (Timofeev, 2019, para.24). The cases when banks that deliberately tried to hide/correct information about various transactions and preferred to break the restrictions for massive profits are labeled as “egregious”. If bank management does not report the illegal resections and deals, the banks are considered “caught.” Being “caught” worsens the cases since the size of the fines is proportional to the intent of the violator. If the act was done on purpose, with willful intent, and the entity was caught (did not report themselves), then those violators would get the biggest fines possible since all those factors are considered to be aggravating circumstances (Timofeev, 2019, para.24).

Objective reasons stem from the way banks operate. Banks generally do a vast number of transactions every day and almost every minute; this makes it quite complicated to control who is doing what (Timofeev, 2019). In other words, it is challenging to monitor every transaction due to the fact that a bank may have billions of transactions/deals around the same period, which makes it almost impossible to check every transaction in different branches. There are various monitoring systems made and being constantly improved, yet those can also commit errors (Timofeev, 2019, para.25). Moreover, banks usually violate multiple sanction programs (around four-five) while other companies violate one-two (Department of Treasury, Civil Penalties and Enforcement Information, 2021). This explains the massive difference in the settlement amounts that must be paid to the US treasury.

As mentioned above, fines are generally calculated based on the number of unlawful transactions completed, but it is not the only indicator (Timofeev, 2019). The amount/volume of the transaction also determines the amount that must be paid (Department of Treasury, Civil Penalties and Enforcement Information, 2021). These two factors play a vital role in the determination of the settlement amount and explain why firms pay significantly less than banks. Nevertheless, they may also get fine reductions due to the fact that it is impossible to track every transaction that a bank and its subsidiaries make. Human error should also be taken into account. Bank managers are not computers and may let the transaction happen without knowing that it is unlawful, or bank subsidiaries may complete transaction without a report to the main branch; in these cases, the banks self-report that illegal transaction took a place which helps to reduce the amount of the fines that must be paid. Based on the data provided by the treasury department, European banks paid on average around \$3,4 million for the “non-egregious” violations (the ones done unknowingly and reported by the bank itself) while fines for the transaction made on purpose/not reported averaged to \$303 million, 100 times more for an “egregious” act that violated the sanctions (Department of Treasury, Civil Penalties and Enforcement Information, 2021).

Noteworthy, most banks that made an unlawful transaction are often willing to cooperate with the US throughout the investigations (Timofeev, 2019). Along with doing so, the banks also try to convince the authorities that nothing like this would happen in the future. Banks also hire some staff, fund various auditing activities and help as much as possible to the US investigators Timofeev (2019, para.25). Generally, European banks understand the severity of the issue and prefer to work with the authorities to reduce the costs of the fine and avoid any possibility of further investigations at any time. It is difficult to find repeat offenders among the European banks since they prefer to stay away from everything after

the first time. Timofeev (2019, para.26) has stated that usually, there are almost no cases of the banks/companies being fined twice in a row within five years.

5.1.3 Other Sectors: Companies

Despite the fact that most entities sanctioned are from the financial sector (banks), firms from other industries/sectors are also being affected. Indeed, the financial sector seems to be the primary target of the US sanction in Europe; other sectors do not stand out as much. There are cases of sanctions, but not as widespread. The US sanctioned 31 EU-based entities/companies from 2009 to 2021 (Department of Treasury, Civil Penalties and Enforcement Information, 2021). Those 31 firms were operating in logistics, telecommunications, engineering, construction, chemical, oilfield servicing, aerospace, and financial sector (Timofeev, 2019, para.27). The amount of money paid by these firms is substantially less than the general amounts paid by the European banks (Timofeev, 2019, para.27). A total of \$90 million was paid to the US Treasury by 18 European companies (Timofeev, 2019, para.27). Twelve companies paid the settlements under \$1 million; the other four of them were charged under \$100,000 (Timofeev, 2019, para.27). Five remaining companies were not as lucky due to being labeled as “egregious,” the amount charged was maximized. The largest amount was paid by a Dutch company named Fokker Services. Fokker Services had to pay \$50.9 million to the US Treasury in 2014 for willingly breaking the US sanctions and selling aircraft parts to the sanctioned state through the mediator (Department of Treasury, Civil Penalties and Enforcement Information, 2021). The act was found “egregious,” the US officials stated that the company was fully aware of the unlawful actions and knowingly violated sanctions which led to the fine significantly bigger than the ones received by other European companies (Department of Treasury, Civil Penalties and Enforcement Information, 2021).

Interestingly ten violator companies were American companies' subsidiaries (Department of Treasury, Civil Penalties and Enforcement Information, 2021). In such cases, the US-based "parent" company is usually the one reporting the violations made by the "daughter" company. A vivid example is a case of the German AppliChem GmbH company being reported by the American parent company Illinois Tool Works (Timofeev, 2019, para.27). The German subsidiary was fined \$5.5 million for violating the US sanctions (Department of Treasury, Civil Penalties and Enforcement Information, 2021). Even though the violation was deliberate and classified as "egregious," the voluntary reporting by the parent company reduced the fine amount; if that did not take place, the company would have ended paying around \$20 million (Timofeev, 2019, para.27). Touching upon subsidiaries, it is essential to note that a foreign subsidiary is considered independent from its parent company and operates by itself (Chen, 2020, para.3). The subsidiary is responsible for its assets and liabilities and is, in fact, a separate legal entity that is subject to the taxation and regulation laws of the country where it is located (Chen, 2020, para.3).

As in the case with banks, the companies from other sectors become accommodating to the US's requests during the investigation to decrease the amount of the fine. Important to note that the most common sanction violation by the companies is Iran-related. Then come Cuba, Sudan, and other sanction programs. Among the very unusual cases, back in 2018, the US sanctioned Zoltek (pharmaceutical company) for \$7.7 million for violations of Belarus because the subsidiary of Zoltek bought raw materials from Naftan, which is a Belarusian company (Timofeev, 2019, para.28).

European companies did not pay any fines when it comes to the sanction violations related to Russia (Department of Treasury, Civil Penalties and Enforcement Information, 2021). This situation occurred mainly because investigations gener-

ally happen for many years, sometimes even ten years (Timofeev, 2019, para.28). To be clear, the decisions on the fines then came around 2020 might be dating back to 2009-2008 year violations, which means that fines related to Russia might take place later (Timofeev, 2019, para.28).

Up till now, there are few cases of US companies being fined for sanction violations related to Russia (Timofeev, 2019, para.29). Haverly Systems was fined \$590,200 in 2019 (related to Rosneft); Cobham firm was fined \$87,500 for supplying Almaz-Antey (a Russian company), and the most considerable fine related to the Russian sanctions is \$2 million, ExxonMobil was charged this amount in 2017 for the connections and work with Rosneft's management (Department of Treasury, Civil Penalties and Enforcement Information, 2021). ExxonMobil objected to the accusations since Rosneft is subject to sector-specific sanctions only and is not included in the Specially Designated List; Thus, the fine is unreasonable (Timofeev, 2019, para.29). A \$2 million fine is not much for all the violations that were charged on ExxonMobil, yet it is the biggest fine imposed by the US authorities since they charged the maximum possible fine on the company, despite the fact that other companies paid way less for the same violations committed (Timofeev, 2019, para.29). The act can be mainly seen as a showcase by the US authorities that the restrictions imposed on Russia are serious, and they will not let any other entities violate it. The US treasury is uncompromising and will, in fact, investigate any minor violations if any occur.

5.1.4 Under the Islamic Republic of Iran Sanction Policies

European Union and its entities have faced various problems after the US decision led by Trump to reimpose all the nuclear-related sanctions on Iran. Moreover, this time the sanctions became more restrictive, and the US was going hardline order

to pressure Tehran onto giving up its nuclear and missile programs. The withdrawal of the US from the deal and the reimposition of sanctions have sparked concerns within the EU-based companies that were having trade relations with Iran. European companies had to weigh their decision to continue trade with Iran while being fined by the US and be cut off from its economy or stop trade with Iran despite the financial losses to preserve good relations with the US (Modrall, 2016, pp.38-42). European companies and banks, in particular, were more cautious this time due to the fines they have faced pre-deal sanctions period. In the pre-nuclear deal, the US administration imposed severe penalties on the European Banks to preserve transactions with Iran. One of the vivid samples, BNP Paribas bank, was fined 9 billion US dollars in 2014 for violating the US sanctions on Iran. The banks cannot ignore these fines and continue the business as usual because of the way they are integrated to the international financial system. Banks need to acquire US dollars for various transactions, which is not possible if the US puts you on the specially designated list for the secondary sanctions. Moreover, banks and other entities would have different bonds/investments abroad for various reasons; some would keep big amounts of money in the US-based banks for safety or other reasons, which means that if they get sanctioned, the US administration would freeze all those assets within the US and deduct the certain amount specified as a fine for the violation of its sanction policies (Modrall, 2016, pp.38-42). In such an instance, third-party-based entities prefer to stop relations with a target state despite financial losses due to the absence of any protection of their investments against the US administration's policies.

In order to punish the “violators,” the US administration lists companies/individuals in the SDN list, which means that these entities would be treated as if they are subject to primary sanctions. This can be considered as one of the most destructive and severe actions for third-party based companies and individuals. They are practically sanctioned like Iran. Another tool implemented under the secondary

sanctions is the fines. Like in the case outlined above, BNP Paribas bank was fined for a massive amount of money. Fines may be less destructive and threatening than being included in the list and not restraining economic activities. However, the amount of the fine can be horrifying for both small and large-scale companies. Fines are considered to be an effective tool of secondary sanctions by OFAC (2021). The rationale behind them is to warn the violator of the further connections and trade deals with the targeted state; in other words, fines work like a deterrent. Fines do work quite well and are considered to be successful secondary sanction tools. Notably, based on various data, it seems that European companies are the ones that suffer the most from the secondary sanctions and fines in particular.

The impact of secondary sanctions and sanctions, in general, is quite complicated to track, and there is no vast literature attempting to calculate the impact/losses of the European Union exclusively. In order to shed light on some aspects of the reimpositions of the sanctions by the US, Directorate-General for External Policies (2020) attempted to examine the available amount of canceled orders and various disruptions that European companies faced after the re-activation of all the lifted sanctions before the nuclear deal. I will try to cover the secondary sanctions imposed on the EU companies before the nuclear deal and after the US withdrawal (throughout Obama and Trump's presidency).

Table 3. The Secondary Sanctions Imposed On The Eu Companies (Iranian Sanctions)⁴

Date	Sanctioned Entity	Violation	Fine
2009	UK-based Lloyds TSB Bank	- multiple sanction programs, including the sanctions on Iran. 31 CFR Part 560 to be precise.	\$217 million bank agreed on the settlement
2009	UK based bank- Barclays Bank PLC	- The violations of the Iranian Sanctions - failed to self-report & willfully violated the sanctions ; - Used SWIFT to hide the information.	\$176 million to the US Treasury
2010	Dutch Aviation Services International, BV (known as Delta Logistics, BV)	- Violated §§ 560.203 and 560.204 of the Iranian Transactions Regulations & the International Emergency Economic Powers Act - Exported aircraft parts and other goods without any license from the US side in the period between 2005-2007 through a third state/entity.	Led to the fine of \$750,000
2010	Balli Group PLC and Balli Aviation, Ltd. (collectively, "Balli"), London, the UK,	- Iranian Transactions Regulations (§§ 560.203 and 560.204) - The Export Administration Regulations - Exported of multiple commercial airlines to the Iranian airlines, Mahan from the United States. Moreover, Balli later tried to export additional airlines to Mahan Airlines	the settlement of \$15 million
2012	HSBC Holdings plc, UK based firm,	- Cuban Assets Control Regulations (CACR), - the Burmese Sanctions Regulations, - the Sudanese Sanctions Regulations, - the now-repealed Libyan Sanctions Regulations (LSR) - the Iranian Transactions Regulations (ITR), 31 CFR part 560	the settlement of \$375 million

⁴ Data compiled from the following resources: US Department of the Treasury: Civil Penalties and Enforcement Information (2009-2021), Katzman (2021).

Table 3 (Continued)

Date	Sanctioned Entity	Violation	Fine
2012	Standard Chartered Bank	• violated the Burmese Sanctions Regulations, 31 CFR part 537; • the Iranian Transactions Regulations, 31 CFR part 560; • the now-repealed Libyan Sanctions Regulations, 31 CFR part 550; • the Sudanese Sanctions Regulations, 31 CFR part 538; • the Foreign Narcotics Kingpin Sanctions Regulations, 31 CFR part 598	• \$132 million.
2012	ING Bank NV of Netherlands	• Cuban Assets Control Regulations, 31 CFR part 515; • the Burmese Sanctions Regulations, 31 CFR part 537; • the Sudanese Sanctions Regulations, 31 CFR part 538; • the now-repealed Libyan Sanctions Regulations, 31 CFR part 550; • the Iranian Transactions Regulations, 31 CFR part 560.	• \$619 million;
2013	Royal Bank of Scotland	• Cuban Assets Control Regulations, 31 CFR part 515; • the Burmese Sanctions Regulations, 31 CFR part 537, • Executive Order 13448 of October 18, 2007, and/or the Tom Lantos Block Burmese JADE (Junta's Anti-Democratic Efforts) • Act of 2008 (Pub. L. 110-286) ("JADE Act"); • the Sudanese Sanctions Regulations, 31 CFR part 538; • the Iranian Transactions Regulations, 31 CFR part 560	• obliged to pay \$33,122,307

Table 3 (Continued)

Date	Sanctioned Entity	Violation	Fine
2013	Weatherford International Ltd., a UK-based firm. subsidiaries & affiliates: Weatherford Oil Tool Middle East Ltd., Weatherford Production Optimisation (UK) Ltd., eProduction Solutions, LLC, Precision Energy Services ULC, Precision Energy Services Colombia Ltd.	• Cuban Assets Control Regulations, 31 CFR part 515; • the Iranian Transactions and Sanctions Regulations, 31 CFR part 560; • the Sudanese Sanctions Regulations, 31 CFR part 538,	• \$91 million settlement
2013	Swedish company, KMT Group AB,	• The Iranian Transactions and Sanctions Regulations in 2013. • the violations committed by its subsidiaries KMT Aqua-Dyne, Inc. (“KMT AD”) and KMT GmbH.	• settled and agreed to pay a fine of \$125,000 • The fine amount seems significantly less—KMT AD is a U.S.-based subsidiary of this Swedish company that violated the sanctions along with the German-based KMT GmbH.
2013	Intesa Sanpaolo S.p.A., also referred to as Intesa, Italy.	• the Cuban Assets Control Regulations, 31 CFR part 515; • the Sudanese Sanctions Regulations, 31 CFR part 538; • the Iranian Transactions Regulations, 31 CFR part 560.1	• \$2,949,030 settlement due to its apparent violations.

Table 3 (Continued)

Date	Sanctioned Entity	Violation	Fine
2014	French bank BNP Paribas SA. ** The most significant fine to date	• BNP Paribas completed around 3,897 illegal transactions which violated multiple sanctions programs. • the Sudanese Sanctions Regulations, 31 CFR part 538; • the Iranian Transactions and Sanctions Regulations, 1 31 CFR part 560; • the Cuban Assets Control Regulations, 31 CFR part 515; • the Burmese Sanctions Regulations, 31 CFR part 537. • did not self-report	• has paid the biggest bulk, the settlement amount with the Department of Treasury was \$963 million; • subject to probation for five years • US court ordered it to forfeit \$8,9 billion and \$140 million fine.
2014	Fokker Services BV ("FSBV"), Hoofddorp, The Netherlands,	• 1,112 violations of Iranian sanctions • 41 violations of Sudanese sanctions, ITSR, 31 CFR part 560, • and SSR 31C.F.R. part 538, respectively. • The case was labeled egregious,	• ruled to pay a \$50 million fine for the Iranian and Sudanese sanctions violations. • Fokker Services had to pay \$10.5 million to OFAC and BIS, another \$10.5 million to the USAO within the scope of DFA, and other related payments.
2015	Crédit Agricole Corporate and Investment Bank (CA-CIB)	• 4,297 illegal transactions that violated • Sudanese,; SSR 31 CFR part 538 • Cuban, CACR 31 CFR part 515, • Burmese, BSR 31 CFR part 537, • and Iranian Sanctions Regulations, ITSR 31 CFR part 560.1. • The case was labeled as egregious	• \$329,593,585 for the violations of multiple sanctions programs.

Table 3 (Continued)

Date	Sanctioned Entity	Violation	Fine
2015	Commerzbank AG based in Germany	• 1,596 illegal operations with sanctioned countries/entities/ individuals. • violated Iranian, ITSR, 31 CFR part 560, • Sudanese, SSR 31C.F.R. part 538, • Burmese, BSR 31 CFR part 537, • Cuban sanctions, CACR 31 CFR part 515. • executive order 13382, “Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters.” EO 13382, 31 CFR WMDPSR part 544, • failed to self-report	• has to pay \$258,660,796 to the US authorities and various departments as well as accept all the conditions stated with the verdict.
2018	Société Générale S.A. French financial institution.	• 1,077 illegal actions • Cuban, CACR 31 CFR part 515. • Iranian ITSR, 31 CFR part 560, • Sudanese Sanctions SSR 31C.F.R. part 538. • Notably, the company did self-report its violations, but the violations were labeled egregious since the firm conducted them willfully.	• was bound to pay a \$53,966,916. • \$101,630,490.80 was the base penalty for these violations.

Table 3 (Continued)

Date	Sanctioned Entity	Violation	Fine
2019	UniCredit Bank AG and UniCredit Group based in Germany UniCredit Bank Austria AG UniCredit S.p.A., based in Italy,	• 2,158 illegal transactions/operations that violated WMDPSR , 31 CFR Part 544; • Burmese Sanctions 31 CFR Part 537; • Cuban Assets Control Regulations 31 CFR Part 515; • Sudanese Sanctions 31 CFR Part 538; • Syrian Sanctions 31 CFR Part 542; • Iranian sanctions 31 CFR Part 560; • Libyan Sanctions 31 CFR Part 570; • Global Terrorism Sanctions Regulations, 31 CFR Part 594. • for 127 violations of the sanctions listed above. • due to 612 illegal transactions linked to the same sanctions violations. • All three cases were labeled as egregious, and OFAC noted that the bank failed to self-report the violations	• \$553,380,759 to settle those violations • The whole amount paid by the UniCredit Bank AG is \$611,023,421, including subsidiaries violations. • was fined \$20,326,340 • was fined \$37,316,322 • The fines of these three branches brought \$611,023,421 total to the US authorities.
2019	UK based Standard Chartered Bank	• Burmese, BSR 31 CFR part 537, • Cuban, CACR 31 CFR Part 515; • Iranian, ITSR 31 CFR Part 560; • Sudanese,SSR 31C.F.R. part 538. • Syrian sanctions, SySR 31 CFR Part 542 or Executive Order 13582	• \$657,040,033 fine

Table 3 (Continued)

Date	Sanctioned Entity	Violation	Fine
2020	Whitford Worldwide Company, in Italy and Whitford Yuzey Kaplamalari Sanayi ve Ticaret Limited Sirketi	kept trade relations with Iran	\$824,314 for the US-based head company
2021	SAP SE, German company **(software, cloud services, and associated maintenance)	190 violations that involved the export/transfer of software and other services from the US to Iran through a third-party firm. - self-reported the violations,	\$2,132,174
2021	Nordgas S.r.l., Italy	- Exported 27 air pressure switches shipments from the US company to ten entities/ individuals in Iran, which cause the indirect export of the US product to Iran. - The violations were labeled as egregious; - Failed to self-report the violations.	\$950,000 - However, after the various discussions, various individual circumstances, and the company's financial situation OFAC agreed to reduce the settlement to \$650,000 thanks to the close cooperation of the Italian firm with the investigation and the US authorities.

These are the cases of various European entities violating the US sanctions and, as a result, being forced to pay fines determined by the US in order to avoid being added to the SDN list and being subject to full secondary sanctions. In these cases, the firms were being subject to secondary sanctions with the use of fines as a primary tool.

The statutory amount for each cases are calculated based on the set of various variables such as the number of violations, sanctioning program, whether or not the company self-reported the case, if the violations were egregious or non-egregious, the degree/severity of violations etc. The fine amount may also change based on the level of cooperation with the US investigation etc.

For example, French bank Crédit Agricole Corporate and Investment Bank (2015 case) was outlined to pay \$ 1,464,860,377 for its various violations, however the fine amount was decreased to \$329,593,585 (\$1billion difference). The fine imposed is four times less than the possible amount, which explains the statements made previously that banks try their best to cooperate and spend money on external auditing and hire staff to reduce the amount of the fees imposed. Important to note that the bank did not self-report the cases, if it did, there is a possibility the fine amount would be even less.

Another thing to note is that there are no cases of secondary sanctions through the use of fines in 2016 and 2017 due to the lifting of sanctions thanks to the Joint Comprehensive Plan of Action, a.k.a nuclear deal. After Trump decided to withdraw from the Joint Comprehensive Plan of Action in 2018, all the sanctions lifted previously were reimposed, which means that the secondary sanctions were back in force too.

In 2020 there were no many European entities that got fined, partially because the previous cases were quite effective in showcasing the US capabilities and because many cases take years until the investigation is over and the court gives some rulings. The only European related case in 2020 was the violations committed by the foreign subsidiary of Whitford Worldwide Company, Whitford S.r.l. in Italy and Whitford Yuzey Kaplamalari Sanayi ve Ticaret Limited Sirketi kept trade relations with the US, which resulted in a fine of \$824,314 for the US-based head company. The “less lucky” companies that either refused to settle or did not even have such an option were added to the specially designated SDN list.

Based on this research through the OFAC’s SDN sanctions list, there are 88 “European” entities listed in the SDN list due to Iranian sanctions. The search in a database was conducted by investigating the list with the presence of entities registered in any of the European Union member states. Based on the research, Croatia has one entity listed, Cyprus has 19, France four, the absolute “record” number of entities listed in the SDN holds Germany with 38 companies; followed by two entities of Greece, three from Italy, one from Luxembourg, 15 from Malta and one from the Netherlands. Europeans were in quotes in the first sentence of this paragraph because more than half of those entities are subsidiaries of Iranian banks/companies or Iran-owned companies abroad that were banned all over the world. The cases of European entities being fined as a secondary sanction are much more widespread than the actual listing in the SDN.

Table 4. EU Entities In SDN List

Country	SDN Listed Entities
Croatia	Cylinder System LTD
Cyprus	Arash Shipping Enterprises Limited; Arta Shipping Enterprises Limited; Caspian Maritime Limited; Danesh Shipping Company Limited; Davar Shipping Co Ltd; Hadi Shipping Company Limited; Haraz Shipping Company Limited; Hatef Shipping Company Limited; Hirmand Shipping Company Limited; Hoda Shipping Company Limited; Homa Shipping Company Limited; Honar Shipping Company Limited; Mehran Shipping Company Limited; Mersad Shipping Company Limited; Minab Shipping Company Limited; Persian Gulf Shipping Lines Ltd; Proton Petrochemicals Shipping Limited; Saman Shipping Company Limited; Tc Shipping Company Limited **All Of These Companies Are Linked To: National Iranian Tanker Company
France	Bank Melli Iran; Bank Saderat Iran; Bank Sepah; Bank Tejarat;
Malta	Asan Shipping Enterprise Limited; Biis Maritime Limited; Bushehr Shipping Company Limited; Isi Maritime Limited; Isim Atr Limited; Isim Atr Limited; Isim Sinin Limited; Isim Taj Mahal Limited; Kerman Shipping Company Limited; Maraner Holdings Limited; Marble Shipping Ltd; Monsoon Shipping Ltd; Sarv Shipping Company Limited; Sima Shipping Company Limited; Sepid Shipping Company Limited; Sina Shipping Company Limited
Netherlands	N.I.T.C. Representative Office
Greece	Bank Saderat Iran Impire Shipping Company
Italy	Bank Sepah; Irasco S.R.L. All Offices Worldwide Irasco Italy; Ge 348075 Subject To Secondary Sanctions Irital Shipping Lines Company
Luxembourg	Metal & Mineral Trade S.A.R.L. B 59411

Table 4 (continued)

Country	SDN Listed Entities
Germany	Ascotec Holding Gmbh; Ahwaz Steel Commercial & Technical Service Gmbh Ascotec; Ahwaz Steel Commercial And Technical Service Gmbh Ascotec; All Offices Worldwide Id Hrb 26136 Ascotec Mineral & Machinery Gmbh Or Breyeller Kaltband Gmbh; Ascotec Science & Technology Gmbh; Ascotec Steel Trading Gmbh Bank Melli Iran All Offices Worldwide ; Bank Saderat Iran; Bank Sepah; Breyeller Stahl Technology Gmbh & Co. Kg; Aliases: Roetzel-Stahl Gmbh & Co. Kg; Breyeller Stahl Technology Gmbh And Co. Kg; Roetzel-Stahl Gmbh And Co. Kg; Darya Capital Administration Gmbh; Eighth Ocean Gmbh & Co. Kg; Eleventh Ocean Administration Gmbh; Eleventh Ocean Gmbh & Co. Kg; Europaisch-Iranische Handelsbank Ag; Fifteenth Ocean Gmbh & Co. Kg; First Ocean Administration Gmbh; First Ocean Gmbh & Co Kg; Fourteenth Ocean Gmbh & Co. Kg Forent Technik Gmbh; Gmi Projects Hamburg Gmbh. Linked To: Middle East Mines And Mineral Industries Development Holding Company Id Hrb115564 Registered In Germany ; Htts Hanseatic Trade Trust & Shipping Gmbh; Ific Holding Ag, Id Hrb 48032: All Offices Worldwide; Ihag Trading Gmbh, Id Hrb 37918; International Trade And Industrial Technology Itritec Gmbh Hrb 59494 Linked To: Kaveh Pars Mining Industries Development Company; Intra Chem Trading Gmbh Irisl Europe Gmbh, Hrb 81573, Mcs Engineering; Mcs International Gmbh, Mines And Metals Engineering Gmbh; Nari Shipping And Chartering Gmbh & Co. Kg; Ninth Ocean Gmbh & Co. Kg; Ocean Capital Administration Gmbh; Reyco Gmbh. Tara Steel Trading Gmbh 40227B33411Linked To: Esfahan's Mobarakeh Steel Company; Triliance Petrochemical Co. Ltd. Linked To: National Iranian Oil Company Twelfth Ocean Administration Gmbh; Twelfth Ocean Gmbh & Co. Kg

Data compiled from the following resources: Office of Foreign Assets Control, Specially Designated Nationals and Blocked Persons list ("SDN List"), Sanctions List Search.

Notably, the only entity listed in SDN in Croatia to violate Iranian sanctions is the Cylinder System LTD, a Croatia-based firm that designs and produces cylinders to store gas. The company is, in fact, under the control of Iran through the EIKO-Execution of Imam Khomeini's Order financial network and acts in the interests of the Iranian Government. For these very reasons, this company and any other related entities worldwide are subjected to secondary sanctions.

Nineteen firms from Cyprus are listed in the SDN and are subject to secondary sanctions for links to Iranian companies or subsidiaries. All of the companies are the ones specializing in shipping and are being marked in the list as being linked to the National Iranian Tanker company.

Four entities listed from France are the branches of Iranian banks, such as Bank Melli, Saderat, Sepah, and Tejarat. The same scenario is more or less followed with the firms in the list based in Germany; most of them are either subsidiaries or foreign entities controlled by the Iranian government through special financial networks like in the case of Croatia. For example, one of the entities listed is the Ascot Holding GmbH Germany-based company “wholly-owned” (term used for subsidiaries) by the Iranian Mines and Mining Industries Development and Renovation Organization, controlled by the Iranian Mines and Mining Industries Development and Renovation Organization by Iran's Ministry of Industries and Mines. Ascot Holding GmbH owns various foreign firms listed in SDN and is subjected to secondary sanctions with the special tag “all offices worldwide.” This is the case for almost all of the cases of various firms being listed from European member states. Basically, the Iranian government controls these foreign entities directly or through other firms and special financial networks. Remarkably, most of the firms are registered abroad as local international companies and have registration IDs of the states they are located in. This might have been an attempt to hide the origins of the companies and the owners since they have been listed as,

for example, German entities or Italian, French, or any other in order to identify these companies US Treasury had to make some investigation and then posted the list of foreign companies that the Iranian government controls despite being based abroad. The same goes for almost all the entities listed from Greece, Italy, Luxembourg, Malta, and the Netherlands. All of the companies listed are provided in the table shown in the appendix.

5.1.5 Under Other Sanction Policies By The US

Most of the sanctions violations listed in the section above were the cases when firms/entities were violating multiple sanctions programs, including the Iranian one. In this section, the cases given would show the EU companies that were secondary sanctioned in the form of fines or listed in the SDN for the violations of other sanctions programs.

Table 5

The Secondary Sanctions Imposed On The EU Companies (Other than Iran)

Date	Sanctioned Entity	Violation	Fine
2014	CWT BV, Netherlands,	- the Cuban Assets Control Regulations 31 CFR part 515 - The firm provided its services to 44,430 persons and assisted them with traveling or purchasing properties from 2006 to 2012. - in 2006 the Netherlands-based company became majority-owned by the US person, which made it subject to the US jurisdiction “according to the Trading With the Enemy Act, 50 USC App. §§ 1-44 and the CACR”.	\$5,990,490 ** Taking into consideration all the circumstances and the change of the owner, OFAC stated that the company self-reported the cases and that most of the violations occurred before the change and very few after the US person became the owner. These factors decreased the fee amount from the possible \$11,093,500 to \$5,990,490.

Table 5 (continued)

Date	Sanctioned Entity	Violation	Fine
2016	CGG Services SA, and Its Affiliated Companies (France)	- violated the Cuban sanctions and the Cuban Assets Control Regulations violations, 31 CFR part 515. - The firm and its subsidiaries were providing service/goods/parts/equipment for oil/gas exploration to Cuba; - spare parts and other pieces of equipment they exported to Cuba were US-produced.	\$614,250
2017	BCC Corporate SA, Belgium **(firm that issues credit cards and other possible payment products to European-based customers.)	1,818 violations of the Cuban Assets Control Regulations. - it was a subsidiary of Alpha Card Group (wholly owned), which was 50 percent owned by American Express Company, a financial institution of the US. AMEX agreed to pay the settlement for the	agreed to pay a settlement of \$204,277
2018	Ericsson, Inc. and Ericsson AB. Ericsson AB, located in Sweden, and Ericsson, Inc. (subsidiaries of Telefonaktiebolaget LM Ericsson)	- reportedly violated Sudanese, 31 CFR part 538 (SSR). - International Emergency Economic Powers Act (IEEPA) - The case was labeled as egregious, but Ericsson self-reported the violations, which helped reduce the fine from \$360,230, an additional \$180,115 to \$145,893.	agreed to pay \$145,893 to the US.

Table 5 (continued)

Date	Sanctioned Entity	Violation	Fine
2019	British Arab Commercial Bank plc	• for the violations of the Sudanese sanctions. • 72 illegal transactions worth \$190,700,000.	• \$4,000,000 fine. • OFAC was on the verge of imposing a \$228,840,000 fine. • the bank had no capacity to pay off such a penalty. • After the consultations with the UK's Prudential Regulation Authority, it was agreed that OFAC would reduce the penalty amount to four million dollars. • the penalty amount was reduced, and it had to comply with all the other conditions listed by OFAC.
2019	Acteon Group Ltd., and 2H Offshore Engineering Ltd. UK-based firm	• UK-based firm and its subsidiary violated the Cuban Assets Control Regulations, 31 CFR part 515	• fined \$227,500.
2019	AppliChem GmbH, Germany,	• 304 illegal acts violating the Cuban Assets Control Regulations, 31 CFR part 515, in the period between May 2012 and February 2016.	• \$5,512,564 settlement

Table 5 (continued)

Date	Sanctioned Entity	Violation	Fine
2021	Union de Banques Arabes et Françaises (UBAF), France	- the violations of Syria-Related Sanctions. - Total: 127 violations in the period between 2011 and 2013, - UBAF created and operated USD dollar accounts for sanctioned Syrian financial institutions and conducted US dollar business for these institutions through US financial systems. There were fund transfers through the US banks and the purchase of US dollars, which is not allowed for the sanctioned Syrian entities.	The French bank agreed to pay \$8,572,500 **UBAF self-reported all the violations, which helped it to reduce the amount of the fine.

Based on the data, there were only eight cases of sanctions violations by European entities throughout the years related to other sanction programs. Considering the data analyzed previously on the violations that include Iranian sanction programs, it can be outlined that Iran was and is indeed quite an important economic/political partner for the European Union. Another thing to note is that European companies/banks willingly or unwillingly tend to violate multiple sanctions. This may be related to the uncertainty around the US sanctions, which practically forces them to operate blindfolded.

5.2 Impact of sanctions on the EU

It is pretty ambitious to name this part as an “impact of sanctions on the European Union” since the impact of secondary sanctions and sanctions, in general, is quite complicated to track, and there is no comprehensive literature attempting to calcu-

late the impact/losses of the European Union exclusively. In order to shed light on some aspects of the reimpositions of the sanctions by the US, Directorate-General for External Policies of the European Union (2020) attempted to examine the available amount of canceled orders and various disruptions that European companies faced after the re-activation of all the lifted sanctions prior the nuclear deal. The same approach would be utilized here to identify the possible outcomes led by the Iranian sanctions and secondary sanctions on the European entities in general.

Trade and economic relations between the European Union and Iran before the deal and throughout the deal were examined in chapter 3, part 2. There was a drastic decline in trade relations with Iran after the imposition of nuclear-related sanctions by the US, the EU, and United Nations, then we see a small increase and attempts to normalize economic relations after the nuclear deal, and again drastic decline after the US withdrew from the deal and reimposed all the sanction.

Microeconomic effects are easily shown in charts/figures as trade between the EU and Iran fell drastically after Trump's withdrawal. The 347% jump in trade relations after the nuclear deal (in 2016) and a further rise of 85% were doomed after the US's decision. Based on the data given by the EU, imports to the EU from Iran dropped 92.8% in 2019, and exports to Iran dropped to over 50% (Directorate-General for External Policies, 2020). The import of mineral products from Iran dropped by 99.7% and 95.5% fall for the general industrial goods while the estimated loss due to ceased exports is around 6.165 billion EUR (estimated from the number of exports in 2017 and then the fall in 2019). Moreover, it is indicated that the amount lost is likely to be more based on the lost future revenues.

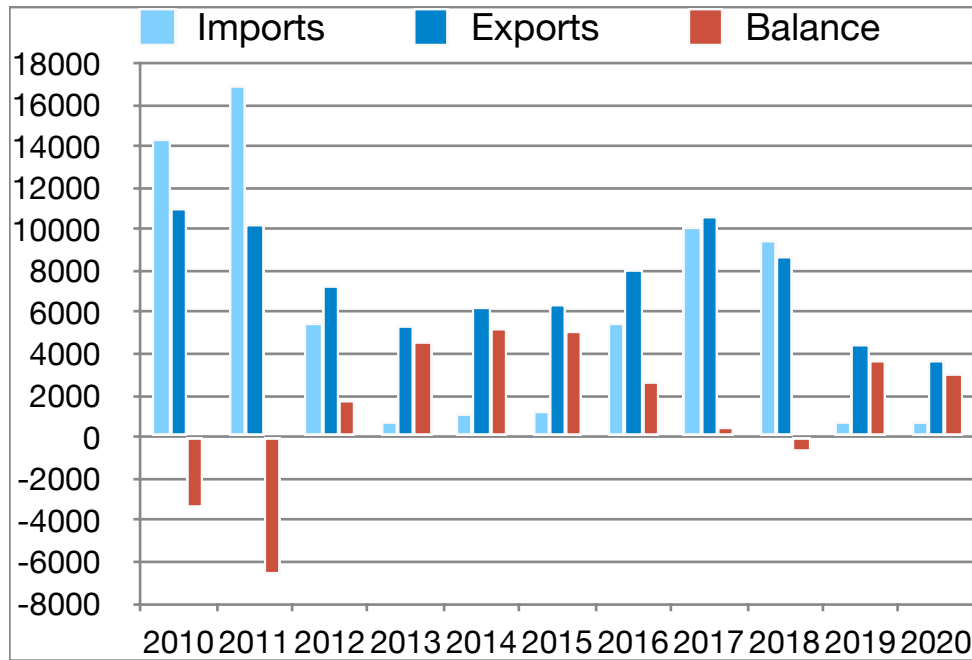


Figure 5

EU-Iran Goods Trade. Annual data 2010-2020.⁵

Interestingly, the EU member states did not reimpose prior lifted sanctions, this was done by the US only, but the fall in the economic relations between the EU and Iran was immediate. After the withdrawal from JCPOA by Trump, most of the European and non-European companies preferred to cease any deals/transactions and relations with Iran and exited its market completely.

For example, big industrial companies like Renault and Citroen (French firms) deferred the one billion dollar investments made into two Iranian firms that were aimed to develop its industry and boost car production in Iran (Congressional Research Service, 2020).

⁵ This chart has been compiled from the data provided by the Eurostat (Eurostat, 2020)

Mercedes Benz, Daimler announced that it is stopping all of its business in Iran and exits its market. Scania, a Swedish company, owned by Volkswagen, finished its project of manufacturing buses in Iran (1350 buses were planned initially) and stopped any activities on its manufactory (Congressional Research Service, 2020).

Moreover, Volvo also halted all of its business in Iran and stopped the assembly of trucks. Siemens, the German giant, announced that it would not continue any business in Iran and also exited the market. Italian industrial conglomerates such as Danieli and Gruppo Ventura also decided to leave the Iranian market in order to avoid any clashes with the US in the future (Congressional Research Service, 2020). These cases occurred in the industrial sector.

Touching upon the financial sector, post-JCPOA US withdrawal, major banks such as German DZ and Allianz banks, Austrian Oberbank, French Banque Wormser Freres exited the Iranian market (Congressional Research Service, 2020).

Moreover, the US requested the German central bank, Deutsche Bundesbank to change its policies/rules in a way that would block \$400 million in cash that Iran was planning to withdraw from Europaische-Iranische Handelsbank (EIH), half Iran owned entity that worked with Bundesbank as a business partner in various deals and transactions (Directorate-General for External Policies, 2020). The other issue that concerned the US was that Europaische-Iranische Handelsbank did not stop from conducting foreign currency conversions for Iran to move the money around despite the sanctions the US reimposed, including the prohibition of using/obtaining any USD by the Iranian government or other related entities. The US delisted Europaische-Iranische Handelsbank from various sanctions during the nuclear deal and re-activated all of them on November 5, 2018, after exiting the deal (Congressional Research Service, 2020). Bundesbank changed the policies in compliance with the US requests and stopped the cash flow to Tehran.

Another sector that has been impacted and is crucial for the European Union, in general, is the energy sector. Despite the encouragement of its entities from the EU side to continue economic relations with Iran, most companies preferred to stay away. The US reimposed energy sanctions on Iran which resulted in a situation where no EU member state bought Iranian oil after 2018 till 2020, according to Congressional Research Service's report in 2020. A \$5 billion energy investment in Iran was abandoned by Total SA, interested in exploring the South Pars gas field. To be exact, Total SA made a deal with the Chinese National Petroleum Corporation and transferred its share (Congressional Research Service, 2020). OMV of Austria stopped its activities in Iran and exited the market. Some of the active ongoing projects in Iran are the \$3 billion deal by Norway's Saga Energy that aims to build solar power plants/fields, notably Norway is not the EU member state, and the deal between Iran and Italian firm FS for \$1.4 billion that aims to build an infrastructure (high-speed railways).

European shipping companies also preferred to stay safe and stopped shipping to Iran; among those firms are the German Hapag-Lloyd and Denmark's AP Moller-Maersk shipping companies. The EU companies are alarmed that even companies related to telecommunications stopped any business with Iran. For example, Deutsche Telekom stopped any business with Iran officially in 2018.

Some entities are allowed to operate only if they obtain a special license from the US authorities; for example, the Rhum gas field (North Sea) kept operation despite being partially owned by Iranian Oil Company. It is primarily related to the fact that the gas from this field supplies around 5% of the UK's demand for gas. BP and Serica Energy companies got their license renewed after the US withdrawal from the nuclear deal to keep providing necessary service to the field (Reuters, 2018).

Another interesting aspect to note is that despite the air service sector not being sanctioned by the US, Air France and British Air canceled their services to Iran due to “small demand” in September 2018 (Congressional Research Service, 2020). They were later followed by the suspension of flights due to a pandemic in 2020. This is a good example of the ‘self-sanctioning’ since these cuts in relations with Iran were not prompted by targeted sanctions.

Although the EU attempts to overcome the sanctions, the impact that it has had so far is already significant and is set to continue since many EU firms prefer to keep good ties with the US and exit the Iranian market.

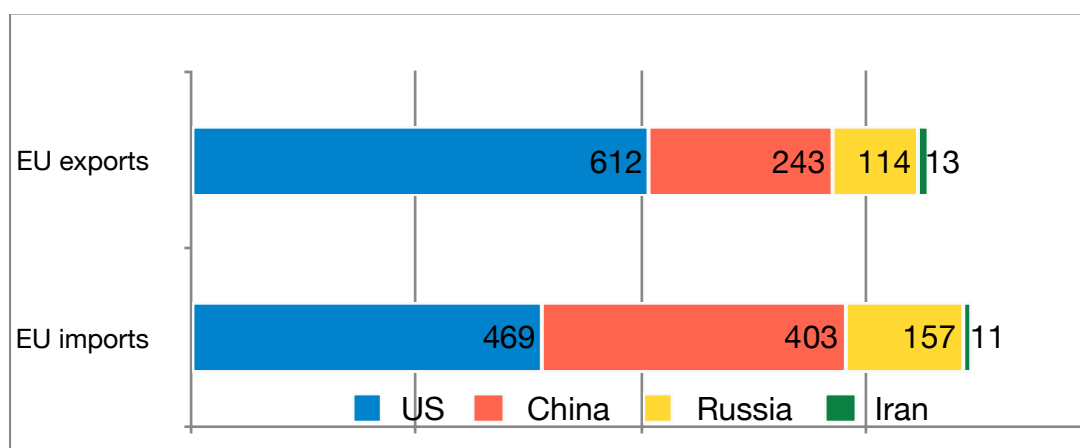


Figure 6. EU trade in goods and services 2016 (€ billion)⁶

Nevertheless, on the bigger scale, the impact of sanctions are not as significant and “deadly” for the EU economy; it is problematic and hurts some selected firms/sectors yet since the pre-sanctions levels (before the nuclear deal and before the EU imposed its sanctions on Iran) were not reached other states filled the void left by Iran. If the US decides to sanction Russia or China in the same way as Iran, among the most important trade partners, the EU economy will face far more seri-

⁶ This chart has been compiled from the data provided by the Eurostat ([ext_lt_maineu](#)).

ous troubles. But it may be about the time the US decides to make such a move, which means that the EU has to create secure ways to overcome these sanctions, which would help protect its companies and economy in general.

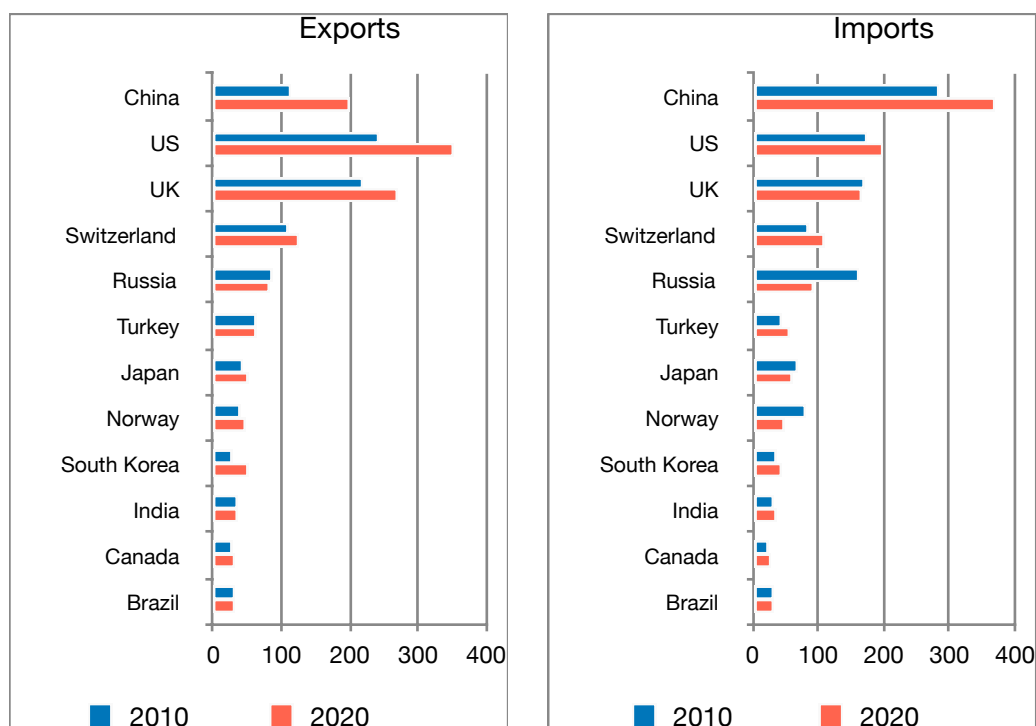


Figure 7. Extra EU Trade In Goods With Main Trading Partners, 2010 And 2020 (Billion EUR)⁷

Moreover, it raises another concern for the EU, the dependency of its market on few states that are having a “monopoly” over some of its sectors, like Russia in its energy sector. The US takes up the biggest market for EU good exports (2016), which makes the risk of being cut off from its market through the secondary sanctions severe. Thus the EU needs to diversify its markets and create mechanisms to overcome its sanctions.

⁷ This chart has been compiled from the data provided by the Eurostat ([ext_lt_maineu](#)).

However, foreseeing future can be quite challenging, especially when the European Union itself joined the US sanctions and for the first time in three decades imposed individual sanctions against four selected Chinese officials that are allegedly linked to the human rights violations in Xinjiang autonomous region (Emmott, 2021). This may be an indicator of the shift in the multipolar system.

5.3 Policies/Mechanisms to Overcome Sanctions

The academic and non-academic field is flooded with various suggestions on overcoming secondary sanctions and decreasing their impact. Most of the solutions are supposed to work in theory, but it is not easy to test them since those options need a long-term development/foundation, etc.

First and foremost, European Union itself has no sufficient capacity and power to use sanctions effectively. The EU fails to impose and track the following of its imposed sanctions mainly due to the fact that it has a different political structure than the one in the US and the enforcement and punishment are in the hands of member states (Geranmayeh&Rapnouil, 2019, p.7). This uncoordinated manner in handling such issues makes the imposition and control of the sanctions insufficient. The US official stated multiple times that the EU is relatively weak when it comes to enforcing the sanctions (Geranmayeh&Rapnouil, 2019, pp.7-9). Moreover, the European Union cannot adequately oversee the imposition of secondary sanctions on its entities since it cannot even track its sanctions (Geranmayeh&Rapnouil, 2019, pp 7-9). This credibility problem creates an environment where European entities prefer to accomplish the US requests over if specific points are unclear rather than break the sanctions program since they do not have a credible entity to track whatever is happening.

Geranmayeh and Rapnouil (2019) argue that creating organizations such as OFAC in the European Union would help resolve many problems related to secondary sanctions and sanctions in general. The EU-based organization would control the enforcement of sanctions by the EU and on the EU entities (p.7). It would be OFAC's interrogator on the issue related to the secondary sanctions. This works well in theory, yet it would be quite complicated to create such an organization in European Union due to its unique political structure. Since the EU has a subsidiary principle, member state governments are the ones that are responsible for the enforcement and oversight of sanctions, which means that in order for the EU to create such a body, member states should agree to pass the authority to the EU level or give the authority to the Commission so it can better coordinate the issues related to sanctions among the member states. Such an initiative may help European companies since it would help to clarify the uncertain measures and discuss/appeal to the OFAC in instances needed. Moreover, coordinated actions would boost the credibility of the EU side while pushing the US to change some policies/measures. A similar approach was implemented when the Trump administration was pushed to lift the sanctions on Rusal (a Russian company that was sanctioned).

Second of all, aside from creating the institution that will control the enforcement of sanctions, the EU also needs to establish and develop various financial mechanisms that would help overcome sanctions or reduce their impact. The first mechanism, INSTEX's so-called "Instrument In Support Of Trade Exchanges," was registered after the Trump administration decided to leave the nuclear deal (instex-europe.com, 2021). It took months of discussions and negotiations before France, UK, and Germany launched this system that the EU supports to help overcome sanctions imposed by the US. INSTEX was designed to help Iran and the European entities to keep the economic ties despite the US sanctions (instex-europe.com, 2021). Generally speaking, it is a mechanism for trade with Iran that

was created by the EU member states in order to overcome all the limitations imposed by the United States. INSTEX is designed to work as a euro-dominated financial system that works as a barter arrangement. It was designed in order to trade non sanctioned essential goods that serve as humanitarian or medical aid as well as farm products, ignoring the oil and gas-related sector. In other words, INSTEX is an alternative trading system that helps to bypass the traditional US system in order to avoid sanctions (instex-europe.com, 2021). However, since it is a relatively new system in order to operate properly, it needs numerous European banks to agree to cooperate in order to transfer funds within the EU and also needs the willingness of the European firms to commit to this system with our any hesitation that the US would sanction which is less likely since most of the firms know the possible outcome. EU could force its companies to engage in the system, yet it prefers to give them choice and freedom while creating the possible tunnels to overcome secondary sanctions. Nice move from the ethical perspective, but a horrible option for the development of the system. Since the system is not well established, it was designed to include non sanctioned sectors in order to avoid it being listed in SDN by the US. INSTEX would work within the few sectors until it establishes itself as a stable mechanism that can help overcome the US sanctions. The US officials are well aware of the system, which means that the EU has to be ready for any possible “attacks” that may follow when INSTEX starts expanding the sectors in which it operates. The impact of such an action can be diminished if the European member states fully join the system making it credible internationally. In that instance, other states worldwide may join the system to bypass the US sanctions and trade with the sanctioned states. Only France, Germany, The UK and Northern Ireland, Belgium, Denmark, Netherlands, Norway, Finland, Spain, and Sweden joined INSTEX and are in the system as of 2021. Most of the European member states are still staying away, which significantly weakens the mechanism.

Another mechanism/system required to overcome US power is the new financial system. As discussed previously, one of the reasons American sanctions are so effective is that the whole world is using a financial system controlled by the US. European banks oppose the deals with Iran despite the support from the EU due to fears of being cut off from the US capital markets. European Investment Bank, French Bpifrance, and other European banks expressed concerns over the possibility of being denied access to the American financial market if they followed the EU proposed path to keep the business ties with Iran (Geranmayeh&Rapnouil ,2019, p.9). Notably, Bpifrance was willing to help to establish such a system at the very beginning but refused later, explaining that it would be externe challenging to keep such a system properly functioning, plus the US can still deny them and the companies involved in transaction any access to the US financial markets and impose various penalties (Geranmayeh&Rapnouil ,2019, p.9).

On the other hand, Chinese succeeded more on the same issue and developed a dual banking system that helps them work with the US and sanctioned entities at the same time (Geranmayeh& Rapnouil ,2019, p.9). The system is created in a way that one set of banks work with the US while the other group is dealing with the sanctioned state's entities. However, even Chinese entities and firms are still cautious while using such systems and are trying to play safely in order to avoid any problems related to the sanction violation (Geranmayeh& Rapnouil ,2019, p.9).

Other issue to note is the need to establish non-US payment systems/channels that would help the European Union work out mechanisms such as INSTEX even without creating the dual banking systems as in China. For example, Visa and MasterCard payment systems are both US-based, which prevents many banks from violating US sanctions since those payment systems are crucial for their existence. The inclusion of European entities on the SDN list cuts off those entities

from the use of any services provided by Visa and MasterCard (or other US-based electronic payment methods like PayPal etc.). Thus, the importance of financial payment systems cannot be over-exaggerated; establishing a stable international non-US-based system would strengthen INSTEX and protect individuals/firms from the US secondary sanctions. Generally, the US has all the leverage to affect European companies due to the fact that the international financial market is pretty much operated by the US-led payment systems (both card and electronic payment systems), as well as the fact that USD is the main foreign exchange currency. Thus, decreasing the dependency on such US systems would inevitably weaken the US secondary sanctions.

Important to note that Europe has SWIFT - the Society for Worldwide Interbank Financial Telecommunication that is based in Belgium and provides a secure channel to send/receive information by financial institutions around the globe about financial transactions. In fact, some banks or other European entities tried to use SWIFT in order to overcome secondary sanctions and got fined by the US after being exposed, as it was showcased in the analysis part above.

SWIFT became crucial in the financial system instantly and got so integrated that being cut off from it can seriously harm financial institutions, but the problem is that despite being European based SWIFT is pretty much under the influence of the US, as it was evident in the case of Iran, the US administration mainly controls SWIFT board members and staff (Geranmayeh& Rapnouil, 2019, p.8) This sparked the discussion in the EU that maybe it is possible to create an independent European alternative to SWIFT that will be backed by the EU as INSTEX and would straighten INSTEX while providing a secure independent financial messaging system to trade with sanctioned entities without the involvement of the US. The creation of the SWIFT replica sounds well on paper, yet creating such a system is a lengthy process that requires a lot of work and international effort (states

willing to back it, join and use it); thus, the other option is to try to protect existing SWIFT from the American influence and straighten its position as a European based entity (Directorate General for External Policies of the Union, 2020). SWIFT expelled Iranian banks from its system in 2018 to avoid any possible pressure and penalties from the US. In order to avoid such problems, SWIFT has to become independent; one of the possible ways to reach some degree of autonomy is to appeal to the International Monetary Fund to make an agreement between all the member states indicating that financial institution as SWIFT must be fully independent and politically neutral when giving services all over the world (Geranmayeh& Rapnouil, 2019, p.8). The importance of the SWIFT can play the role of a valid reason behind its protection from being bound to any unilateral measures imposed by various actors, including the US, despite its statements about its “national security” (Geranmayeh& Rapnouil, 2019, p.8). The only notable cases might be the ones related to the banks that are related to UN Security Council sanctions

Another possible option introduced by various sources is the expansion of the European central bank’s role/scope. In other words, it means that the European banks can be connected to the Iranian entities directly, without the use of a financial system in between (Geranmayeh& Rapnouil, 2019, p.9).

Once again, it may seem like a “good” solution on paper, yet no European bank is willing to make such a step first. In order for this to work, they have to change the very way the banks operate and create special transaction accounts that can be used by the entities that got secondary sanctioned. Also, it was suggested that there should not be the direct transaction of funds which would make it more complicated for the US to track what is happening (Geranmayeh& Rapnouil, 2019, p.9). One of the suggestions was to get funds from the sanctioned entity and, instead of making a transaction to the receiving entity, deduct the debts to the

government that the receiving entity has, like tax or social security, that this entity has to pay to the government (Geranmayeh& Rapnouil, 2019, p.9). In a simplified way, let us say entity A is sanctioned and decided to use the European central bank to make a transaction, it gives the funds to the bank, and the bank takes and allocates it in its own account. Entity B that is doing business with entity A will not get that fund through the transfer of money to its account. Instead, Central Bank would deduct the sum entity B has to receive from the debts it has to pay to the bank/government. If B has to pay 100\$ in taxes and has to receive 50\$ from entity A, then Central bank will deduct \$50 from the owed 100\$. Entity B will pay only 50\$ to the central bank instead of 100\$. They are basically receiving those 50\$ without any physical transaction of any funds.

Cryptocurrencies became a hot topic in the last couple of years; one important aspect of it that makes it attractive for the sanctioned entities is the fact that cryptocurrencies are extremely difficult to track (one of the reasons why black markets rely on bitcoins as well as different fraud and scams). Iran has been using some cryptocurrencies in order to make some transactions after being sanctioned. It seems to be a good solution, yet it is pretty complicated for the states to obtain hard currency through cryptocurrencies in many instances. Thus, the development of such an electronic system with the further backing of it by the EU and other states may make it easier for the sanctioned and EU entities to do business and do transactions without fear of being exposed by the US (Geranmayeh& Rapnouil, 2019, p.9). Nevertheless, once again, the use of cryptocurrencies on the back market for illegal acts makes it quite uneasy to determine from where and to where the crypto is flowing (Geranmayeh& Rapnouil, 2019, p.9). EU states are concerned that the system may be used for money laundering and etc.

Touching upon currencies, the strengthening of the Euro in the International financial system may also help to reduce the impact of secondary sanctions (Geranmayeh& Rapnouil, 2019, p.9). US has been a gatekeeper of the global financial

system partially due to the USD's role as a foreign exchange currency. Moreover, if the development of the cryptocurrencies will be accepted, the Euro's straightening would be required to use it as the primary exchange currency for the crypto. Benoît Cœuré (2019), a member of the EU central bank, once stated that the US's economic power is a direct result of int being the issuer of the worldwide reserve currency. This enables the US to weaponize its position and control access to the various financial systems and institutions.

Among other solutions, the EU can mirror the US secondary sanctions and use its markets as a weapon. If the US threatens European entities by cutting them off from the US markets, the EU may analyze and cut the US entities from key European markets (Geranmayeh & Rapnouil, 2019, p.10). US was the second biggest importer to the EU market in 2016 and the first in importing its services while the EU is exporting its goods and services to the US. This interdependence can be very possibly weaponized the way the US administration did it. If the US keeps threatening and restricting European entities from doing business with Iran through secondary sanctions, then the EU can also make its own SDN list and target American entities. This would worsen transatlantic relations but help the EU humble the US down with its sanction programs attacking European entities.

Moreover, the last point to note is the EU blocking regulation that was activated in 2018 for the first time since 1996 (European Commission Press Release, 2018). The blocking statute pretty much pushes European entities from one extreme to another. It is a law that is directed to block the effects of any extraterritorial sanctions. What happens is that the US sanctions are considered illegal by the EU, which protects its entities from complying with the court rulings from the US. In fact, it actually pressures the European entities not to follow the US sanctions; otherwise, they will be punished by the EU itself. The blocking statute prohibits EU entities from following the US sanctions either directly or indirectly, and this

is considered to provide a legitimate ground for its companies to trade with Iran despite the US warnings (Deutsche Welle, 2018). In this case, European companies find themselves in the situation where they are threatened by the US and would like to avoid any measures imposed and are also threatened by the EU since they are not supposed to follow whatever the US is requesting. The situation where they have to find the least harmful way to act in order to avoid problems with both the US and the EU.

5.4 Self-sanctioning

The concept of self-sanctioning refers to the case when third country-based companies that are not subject to the sanctions directly willingly stop any relations with the sanctioned state and its entities due to the capacity that the sender state holds. The US has such a capacity that threatens companies despite the country of “origin” in this globalized integrated system. To the point that with the majority of sanctions being mostly just monetary fines, firms are still alarmed since none of them are willing to become that one rare case cut off from the financial system, with frozen assets and no right to make international transactions with the US dollar.

The impact of secondary sanctions on the EU economy generally and its business cannot be overlooked. As a third-party state that is not involved in the sanctions program in any way, the impact is too significant. As elaborated previously, the impact on the third state is not something that can be regulated; in the age of globalization where states are integrated into the global economy, any economic change/ban/sanction, etc., in one state would spill over into another state. In the case of the European Union, despite being willing to do business with Iran and encouraging its entities, its own companies are not willing to keep the problematic ties. In fact, based on the investigation made, it is evident that there are no many

cases of solely European entities being listed in the SDN list by the US, and most of the cases of secondary sanctions are actually the US imposing fines.

Almost every entity listed on SDN is either subsidiary of Iranian national companies or is partially owned by the Iranian government and etc., with only a few cases of European companies being subject to secondary sanctions with the cutting of ties, denying access to the American financial market and prohibiting the use/purchase of USD. Then comes the reasonable question “why all European companies are alarmed.” The biggest problem and the weapon used by the US authorities is uncertainty. The blurred conditions, uncertain explanations, and general statements drastically increased the impact of secondary sanctions; to be precise, it's not even the secondary sanctions per se.

Rather, the possibility of being exposed to unknown secondary sanctions with unknown conditions and uncertain interpretations. This leads to the over-compliance by the firms that are unsure how to depict the measures/conditions and the possible penalties or other enforcement and how they would work. The EU companies and banks prefer to self-sanction and self-sensor themselves to avoid becoming subject to sanctions by the US. European member states requested clarification from the US and OFAC specifically on the related uncertain matter, and the information provided was sent either too slow or fragmented and not clarifying at all (Directorate-General for External Policies, 2020). Directorate-General for External Policies expressed that OFAC might be doing so deliberately since the uncertainty boosts the impact of imposed sanctions. The licenses, temporary exemptions, and some waivers to purchase a certain amount of oil from Iran make it even more complicated for the European entities. This, in return, results in a situation where companies and banks prefer to exit the Iranian market entirely and stop any business. In other words, due to the American economic power and uncertainty of the conditions/punishments, companies are thrown into a situation where

they have to choose either do business with Iran blindfolded and later be subject to massive penalties or a complete cutting off from the US market, or exit the Iranian market despite the losses, cancel projects and stop transactions in order to be safe.

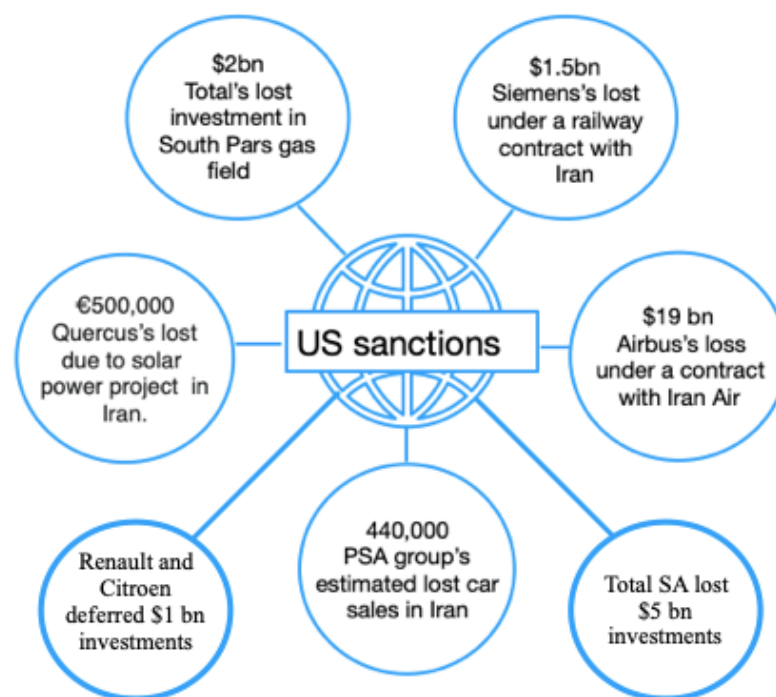


Figure 8. Cost of the US sanctions for selected European companies.⁸

⁸ The illustration has been compiled from the data provided by Geranmayeh,&Rapnouil (2019); Directorate-General for External Policies, (2020).

Notably, none of the companies showcased here were sanctioned nor forced to close down the projects and exit the market. The majority of companies decided to do so after the US's withdrawal from the nuclear deal voluntarily in order to avoid the possible penalties and sanctions in the future.

Self-sanctioning results from deep integration among the European economies and its financial institutions that leveraged the dominance of the American dollar. Secondary sanctions are the most impactful and powerful tools used by the US authorities for the sanctions and restrictions throughout the last decades (Geranmayeh&Rapnouil, 2019). Geranmayeh and Rapnouil (2019) explain that secondary sanctions got significantly stronger after the steps Obama's administration implemented. Obama expanded the reach of the secondary sanctions through the inclusion of financial institutions. According to the executive of the EU based bank at the very beginning, at the initial stages of the improvement of secondary sanctions, the US used the error and trial method if the European banks (the cases mentioned in the previous parts) resisted the US measures secondary sanctions would not go so far, and American authorities would not be able to target them by any of the existing means (ECFR interview, 2018). But back then, the EU imposed similar sanctions on Iran, so there was no clash of interests. This very "co-operation" strengthened the US; the use of various financial institutions like SWIFT and others set an alarming precedent; the US lawmakers later used the same structures and strategies throughout various sanction policies. European and American policymakers agree that they would have been more cautious and thoughtful about opening this Pandora's box if they knew that Trump would be elected as a president (Geranmayeh& Rapnouil, 2019). After the US withdrawal from the nuclear deal, US policymakers announced the reimposition of all the previously lifted sanctions, and the National Security Advisor of the US said something along the lines of "it is possible" that the US may target European-based companies. It was not an official statement, yet European companies took

the “hint” quite seriously, and the wave of European companies leaving the Iranian market and cutting all business ties started. The US rarely targeted European entities, and there were only a few cases of the EU companies being listed in SDN and their assets getting frozen, etc. Based on the investigation completed, almost all of the listed entities in SDN at the moment are the ones directly related to the Iranian government, either straight or through other companies. Despite these tendencies and very few cases, European firms preferred to stay safe and self-sanction in order to avoid any investigations, imposed measures, and asset freezes with travel bans.

When Trump announced that the US is re-imposing all of the sanctions lifted on Iran, John Bolton, who served as the US National Security Advisor at the time, hinted that there is a possibility of the impositions of the secondary sanctions on third-country based firms, including the EU. This sentence about the “possibility” of the sanctions was more than enough for the European firms who decided to close down all the projects, stopped the business, and exited the Iranian market, basically self-sanctioning themselves without any warnings or other actions by the US. Secondary sanctions are very powerful as a foreign policy tool. The mere existence of such a tool creates an environment where companies are willing to self-sanction and self-censor despite the absence of any official warnings or statements. This means that the US and OFAC, in particular, would keep using it as a tool to boost the efficiency of sanctions. Moreover, the punishment's uncertainty would be kept too since it makes the companies “over” follow the rules.

Generally, based on the quantitative data compiled, looking at the number of the imposed secondary sanctions on the European entities from 2009 till 2021, it can be noted that the economic impact on the European Union is mainly due to the choice of the European entities to self-sanction. In other words, it is not the secondary sanctions that is hurting the EU trade relations with Iran per se, it is rather

the behavior of the EU based companies that opted to play safe and keep ties with the US. In fact there are very few entities that were put on SDN list (the companies based in the EU, not linked/subsidiaries of Iranian entities) by the US. In most cases OFAC chose to fine the entity without enforcing any other “punishment”. However, it is not self-sanctioning alone, the mere existence of secondary sanctions create the conditions in which third-party entities prefer to follow this particular path of behavior. The conditions in which entities prefer sacrificing certain economic gain to avoid possible bigger losses, turning this situation into zero-sum game for themselves. Loosing Iranian market, while winning the access to the US one.

5.5 Possible Reasons for the EU policy shifts aside from the US sanctions

Based on the analysis made previously, it is quite evident that the EU is quite invested in making this nuclear deal work for both economic and security reasons. First of all, as it was elaborated in the beginning, the location of the EU plays an important role in shaping its policies. European Union is more cautious about the developments in the region due to the fact that it will be directly affected since it is connected by land. The US, on the other hand, is away and is located on another continent; changes and instabilities in the region would not massively affect the migration and security conditions of the state. This gives it the opportunity to make a hardline pressuring policy towards Iran while the EU prefers to resolve issues through diplomacy and economy. The economic development of the region would make it more stable in return, ensuring the security of the EU. Overall, the EU has been greatly interested in the nuclear deal for these security reasons.

Another reason for the EU is the need to diversify its energy market, which is dominated by Russia. Iran and other Middle Eastern states may help to decrease

this dependency while also benefiting from the money received from the export of its resources.

It is obvious that the fall in trade figures between the EU and Iran has not resulted from anything else than the US sanctions since the EU is the only constantly coming up with different possibilities to overcome the US sanctions in order to keep business with Iran to the point that it activated the EU blocking statute that prohibits its own entities from complying with the US requests. It established INSTEX and is trying to gain control over SWIFT back in order to create stable transaction channels for trade with Iran. EU did not reimpose any of its nuclear-related sanctions and stayed in the nuclear deal despite the US withdrawal. Moreover, it has been trying to keep Iran committed to the deal too while trying to make a dialogue with the US over the necessity of its rejoining the deal. One of the attempts to reach an agreement with all the parties has been the creation of Vienna talks that includes six global powers and Iran. This is the attempt to fix the “situation” after the exit of the US under Trump’s lead back in 2018.

Yet, despite these reasons there is one possible cause for the general fall in the trade of goods and services between the EU and Iran in 2020 and 2021 which is covid-19. European Union’s export and imports faced significant fall due to pandemic that started in 2020. As it is evident from the charts provided below there is a sharp decrease of the EU exports and imports in 2020 mainly caused by the covid-19 outbreak all around Europe.

Development of EU international trade in goods, 2020
(monthly growth rate compared to same month in 2019)



Figure 9. Eurostat, (2020)⁹.

Based on the monthly evaluation of growth in 2019 and 2020, it becomes clear that the EU trade was hit hardest between March and April. European exports fell were only 125 billion of euro compared to 176 billion during the same period in 2019. The imports also were impacted by the pandemic, drastic declined from 148 billion of euro to 125 billion euro. The following months follow the trend and were considerably than the figures in 2019. The slide increase can be noticed in December, which is mainly related to Brexit. European exports were 2 percent higher in 2020 compared to 2019 since companies in UK were stockpiling goods while awaiting uncertain transition period and unclear UK position in the EU market post-Brexit.

⁹ Online data code: EXT_ST_EU27_2020SITC

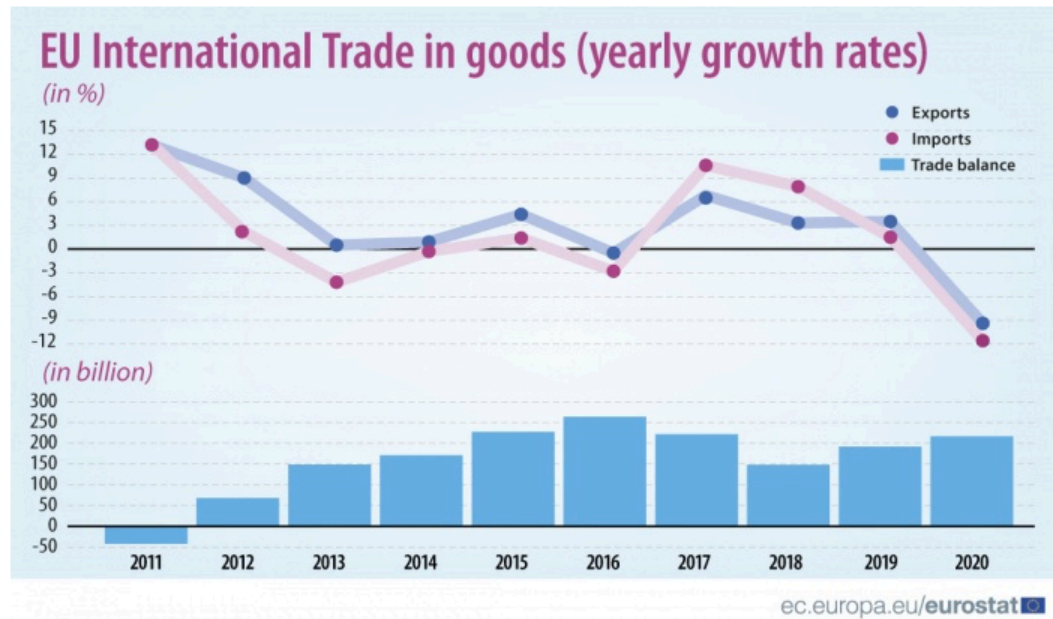


Figure 10. Eurostat, (2020).¹⁰

The effects of pandemic may indeed be among the many reasons why there was a fall in trade relations between the EU and Iran. However, if we analyze the data about the trade relation between these two countries in the last few years we can see that the downfall starts explicitly after the US withdrawal from the nuclear deal in 2018. We can observe a sharp fall from 2018 to 2019 and a further decrease in 2020. Since the hit of pandemic was around March and April of 2020 it becomes evident that the trade downfall cannot be impacted solely by covid-19 since its effects started in 2020 only. Thus, the sharp fall is the result of the US withdrawal, while the minor decrease in 2020 might be characterized by both the US sanctions and the pandemic.

¹⁰ Online data code: EXT_ST_EU27_2020SITC

CHAPTER 6

CONCLUSION

As a relatively new foreign policy tool, sanctions became a prominent instrument utilized by the US under Obama and Tump's administrations. The matter of sanctions is a new trend in international politics, and despite being existent for centuries, it was not implemented as massively as now; some may argue it is due to globalization. Integration of countries into the global market has made it possible to cut off the targeted state, mainly if that country heavily relies on the export of natural resources. Sanctions have been imposed massively by the US in the last few decades. Especially secondary sanctions, the sanction type that affects the third party, which is not subject to the official sanction policy.

The work tried to shed light on how European Union's economy was affected by the US secondary sanctions on the EU-based entities. The European Union is not a direct party in those sanction programs and is willing to keep business ties. However, despite the European Union's encouragement, EU-based companies willingly refused any economic actions fearing that the US would impose secondary sanctions. European Union has been trying to overcome this issue by suggesting to create several mechanisms to provide a stable ground for the economic ties between the EU and Sanctioned countries.

The departure points for this study were as follows: What is a secondary sanction? Why European and other companies are affected by them? Who can impose them? It is also essential to see the contextual background of the EU- the Islamic

Republic of Iran relations to investigate whether US sanctions have been the leading cause for the policy shift. So, the primary research question was as follows: How did the US's sanctions, within the scope of the Islamic Republic of Iranian sanctions policy, affected the economic environment of the European Union under Obama and Trump's administration?

Based on the various data collected and analyzed to answer these questions, the findings of these that must be mentioned are as follows.

Secondary sanctions are the type of sanctions imposed by the sender state on the third-party entities to boost its primary sanctions effectiveness. Practically, the sender state prohibits third parties such as individuals and firms from doing any economic activities with the targeted country by cutting them off from its market. This and many other sanctions were categorized in chapter two, which is significant in showing the different types of sanctions and how they are being implemented.

For example, in general, there can be a confusion of secondary sanctions with extraterritorial sanctions. Despite the illusion that sanctions are well known, it is generally quite challenging to tell the difference between the primary and secondary sanctions, or secondary and extraterritorial, sectoral and financial sanctions, etc. Thus, this part can work as a small cheating sheet explaining most of the types of existing sanctions for now. Sanctions are evolving, so claiming that it is the most up-to-date full explanation would be too ambitious. However, that was the initial idea behind this chapter.

In order to answer the primary research question on the impact of the US secondary sanctions on the EU, this work has done an extensive research to identify the economic and political relations of the EU with Iran. This allowed us to eliminate

other possible reasons behind the fall of economic relations that, in the long term, affected the EU economy. Based on the research, we can claim that there are no other reasons behind the decrease of trade relations between two states aside from the imposition of secondary sanctions. In fact, European Union is more than willing to keep good economic relations with Iran and has been fully invested in regulating the problems between Iran and the US. The European Union has been the driving force behind the nuclear deal and is still pushing for further negotiations to keep Iran in the deal while maneuvering with the US. The Middle East in general and Iran are pretty important to the EU for various reasons, including but not limited to economic and security matters.

EU neighbors the Middle East, which means that instabilities can spill over to the EU. Migration from these regions is among the top problems that the Europeans currently face. The EU believes that the harsh policies implemented by the US are not effective, and the change in the region must be gradual. Human rights are supposed to be at the very core. Aside from that, Middle East is also quite an important region for Europe since it acts as both the source and the transit for the energy resources to the European market.

The main difference between the US and EU foreign policy approaches in the case of Iran is the way these two respective countries try to meet the end goal. Despite having the same interests in the region's democratization for both security and economic reasons, both states use quite the opposite foreign policy tools. US has been trying to pressure and isolate Iran in order to achieve the desired changes (mainly giving up its nuclear and ballistic programs, as well as Iran's support of regional terrorism based on the US intelligence), and quit the nuclear deal due to the fact that it was not as "efficient." On the other hand, the European Union has been trying to keep Iran within the deal and is trying to overcome sanctions imposed by the US due to the belief that complete isolation and economic downfall

would mainly affect ordinary citizens while stagnating the desired changes. The shift has to be gradual, and it is better to work with the Iranian government in order to be able to influence internal issues through economic and other tools.

Generally, the EU has been trying to keep economic ties with Iran while balancing the US on the other side. The US has been threatening European entities with secondary sanctions, and based on the research, the fall in economic figures shows that US actions were undoubtedly effective.

The detailed research through the OFAC's database was done to outline the sanction violations and the measures taken by the OFAC to punish EU-based companies. Aside from the cases related to Iran, the research also covered the cases that emerged due to the violations of Cuban, Syrian, Burmese, and other sanction programs by the US. Based on all the cases, it was identified that OFAC imposes secondary sanctions mainly through fines that deter the European companies from further violating the sanctions and being listed in SDN. Another interesting note is that most of the cases are, in fact, related to the banks and the illegal transactions completed by the banks for the sanctioned entities. Banks are eager to pay millions of dollars as a fine and work with the investigation to protect their access to the global financial market.

Self-sanctioning is a behavior that this thesis found, which refers to the case when third country-based companies that are not subject to the sanctions directly willingly stop any relations with the sanctioned state and its entities due to the sender's capacity state holds. In this case, the US is the very actor who can threaten third-country-based entities. To the point that with the majority of sanctions being mostly just monetary fines, firms are still alarmed since none of them are willing to become that one rare case cut off from the financial system, with frozen assets and no right to make international transactions with the US dollar.

Further analysis was made to identify the cases of the European entities self-sanctioning themselves after the US announcement that it is withdrawing from the nuclear deal and planning to re-impose the sanctions previously lifted. This and other cases were used to explain the impacts of the US sanctions on the EU economy. It was shown by the data provided by Eurostat, the trade between Iran and the EU that was gradually recovering after the nuclear deal was reached got struck by the US withdrawal. We see the sharp decline in the import and export of both goods and services from and to the EU aftermath of the reimposition of sanctions. This happened even though the EU is willing to keep good economic ties with Iran.

With practically only a few cases of full secondary sanctions being imposed on the European Entities, self sanctioning is the core problem that has been stopping the revival of economic relations between the EU and Iran. If we look at the data closely, the secondary sanctions are effective only because of the uncertainty. As a result, EU companies prefer to self-sanction in order to protect themselves from any possible problems even if there is an option of getting sanction waivers from the US, making this a zero-sum game where the win of one is the loss for the other.

In order to overcome this challenge European Union is trying to establish various financial institutions and mechanisms like INSTEX, SWIFT. Some decision-makers also propose creating OFAC like institutions in the European Union that would help trace the enforcement of sanctions by the US and resolve the uncertainty that the US administrations use. It is known that uncertainty is the main reason behind the European entities' compliance with the US sanctions.

European Union has been having quite a difficult time trying to overcome this problem. This issue goes way beyond the political economy. To think of it, the US

has been using economic tools more frequently and severely due to the fact that it has less political capacity in this multipolar system. This problem goes to the very core of the international system's structure. Multipolar structure in which an actor has to either gravitate around one pole or stay away altogether. This can be seen as the reason why, despite these tensions between the EU and the US, the European Union is still dividing the economy from the political domain. With other actors as China becoming stronger and stronger, it is about time other actors would be dragged into the same loophole. Furthermore, the very system is the main problem behind the ineffective EU counter-actions, which can be seen as half measures.

The next thing to mention is bias. Elimination of bias was necessary to ensure that the sanctions were the real cause behind the downfall of EU-Iran economic relations. One of the possible reasons behind the downfall of trade relations is the pandemic. Due to covid-19, the general export and import of the EU decreased, which also means that the trade with Iran also reduced by some percentage. However, this was the case for 2020 and mainly between March and April, while the downfall in the trade relations between Iran and the EU started in 2018 after the US reimposed all of its sanctions. Aside from that, there are no other reasons that can be leading to such an outcome. Moreover, European member states are trying to come up with various solutions to bypass the American sanctions, which indicates the willingness of the EU to keep its economic ties with Iran.

Overall, it is fairly straightforward to track the impact of sanctions on Iran since it is the primary target state. However, it is more complicated to assess the effects of the sanctions on third states like the European Union. Despite this complication, it is evident that any state sanctioning will spill over to other states based on the level of integration of the target state into the global economy. In this globalized world, the change in the economy of one state would inevitably affect another country. Nevertheless, it is quite challenging to trace the impact and see how ex-

actly the state was affected. In the case of the European Union, this work tried to analyze general trade tendencies with Iran before and after the sanctions, which helped identify the immediate changes that occurred. However, it would be more complicated to assess the impact on the EU economy as a whole. Logically speaking, first of all, the EU energy sector may have been affected since the EU was explicitly interested in diversifying its energy market. Second of all, the EU-based companies lost massive amounts of money invested in projects with/in Iran, which indirectly affects the EU economy.

Another point was shown in the analysis part that many European banks were secondary sanctioned by the US for the violations of the sanctions. They were obliged to pay millions of dollars to appease OFAC and agreed to stop any transactions with any entities related to the sanctioned countries/entities. Banks pay quite a considerable amount of taxes in the EU; for example, the fined BNP Paribas paid 2,812 million EUR tax in 2019 (tax.tracker.EU, 2021). The narrowing down of the “working” space for it through cutting sanctioned states/entities/individuals does reduce its profits and taxes (those are correlated). Moreover, cutting access to the Iranian market means that the EU cannot export its goods and services to Iran, which also impacts its economy.

The claims are primarily based on quantitative data from the US treasury data basis. Developing the self-sanctioning concept still requires full-fledged qualitative/quantitative and empirical studies to prove the point and outline all the possible conditions. This study was rather suggestive of the concept, which still requires significant development.

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APPENDICES

A. TURKISH SUMMARY / TRKE ZET

Bu alıřma, ABD'nin İran'a uyguladıęı yaptırımlardan Avrupa Birlięi'nin iř ve ekonomisinin nasıl etkilendięine ıřık tutmaya alıřmıřtır. Suriye ve dięer hedef alınan lkelere yapılan yaptırım politikaları kapsamındaki ikincil yaptırım vakaları da btnleyici veri olarak kullanılmıřtır;

AB'nin bu yaptırım programlarında doęrudan bir taraf olmadıęını ve bu lkelerle ticari baęlarını srdrmeye istekli olduęunu belirtmek nemlidir. Ancak, Avrupa Birlięi'nin teřvikine raęmen, AB merkezli řirketler, ABD'nin ikincil yaptırımlar uygulayacaęı korkusuyla herhangi bir ekonomik hamleyi kendileri reddetmiřtir.

İkincil yaptırımların tanımı, mekanizmaları ve etkisi, ABD, AB ve İran arasındaki, yalnızca devletleri deęil, aynı zamanda ve zellikle de zel řirketleri de kapsayan bu  ayaklı meseleyi anlamak iin ok nemlidir.

Bu alıřmanın ıkıř noktaları: İkincil yaptırım nedir? Avrupalı ve dięer řirketler neden bu yaptırımlardan etkileniyor? Yaptırımları kim dayatabilir? řeklinde tanımlanmıřtır. ABD yaptırımlarının AB'deki politika deęiřiklięinin nde gelen nedeni olup olmadıęını arařtırmak iin AB-İran iliřkilerinin baęlamsal arka planını grmek de nemlidir. Dolayısıyla birincil arařtırma sorusu: Obama ve Trump dnemlerindeki ABD'nin yaptırımları, İran İřlam Cumhuriyeti'ne yapılan yaptırım politikası kapsamı altında Avrupa Birlięi'nin ekonomik ortamını nasıl etkiledi? sorusu sorulmuřtur.

Başka bir deyişle, bu tez ABD tarafından uygulanan İran Yaptırımları ve Avrupa Birliği'nin üçüncü taraf olmasına rağmen ikincil yaptırımlar nedeniyle ekonomik olarak nasıl etkilendiği konusuna odaklanmaktadır ve daha çok Avrupa Birliği'nin yaptırımlar karşısındaki davranışı ve yaptırımların AB üzerindeki etkisine yönelmiştir.

Çalışmada altı bölüm bulunmaktadır ve şu şekilde düzenlenmiştir: 1.Giriş. 2. Teorik Çerçeve 3. AB-İran ilişkilerinin arka planı, 4. ABD yaptırım politikaları: İran örneği 5. AB kuruluşlarına ilişkin veriler ve analiz 6. Sonuç

Genel olarak bu çalışma, yaptırımların güncel bir şekilde sınıflandırılmasına yardımcı olmayı, literatürdeki boşluğu doldurmayı ve ikincil yaptırımların Avrupa Birliği üzerindeki etkisini özetlemeyi amaçlamıştır. Ayrıca çalışma, üçüncü taraf özel kuruluşların davranışlarını kavramsallaştırmaya yönelik bir girişimde bulunmuştur.

Genel olarak, mevcut literatür ikincil yaptırımları ve bunların AB-İran ilişkileriyle etkileşimini yalnızca kısmen ele almaktadır. Bazı çalışmalar İran Yaptırımları ile ilgilenirken, diğerleri İran'a yönelik yaptırım politikasının, İran'ın bir ticaret ortağı olarak Avrupa Birliği üzerindeki genel sonuçlarını ele almaktadır. Fakat, literatürde ikincil yaptırımların kullanımı ve AB şirketlerinin AB'nin kendilerine iyi olanaklar sağlamasına rağmen İran'la anlaşmayı reddettiği tekrarlı durumlarla ilgili bir boşluk bulunmaktadır.

Çalışma, hedeflenen ülkeden ziyade üçüncü taraf üzerindeki etkileri tartışmak için tasarlanmıştır. Araştırma nitel araştırma, özellikle ikincil veri araştırması yoluyla yapılmıştır.

Bu çalışmanın yaptırım politikalarının her yönünü kapsamadığını ve uygulanması sürecinin etik olup olmadığını konularına girmeyeceğini belirtmek önemlidir. Hal-

ihazırda literatürde en popüler konulardan biri olduğu için de, genel olarak yaptırımların verimliliği konusunda tartışmalar yapılmayacaktır.

Metodoloji ve yöntemlere baktığımızda araştırma, ikincil ve birincil kaynakları, veri tabanlarını, makaleleri, politika belgelerini, kitapları, düşünce kuruluşu raporlarını araştırmak ve konuyla ilgili daha fazla bilgi edinmek için tasarlanmıştır. Nicel verilerin birincil kaynakları açık erişimli veri tabanları olan, ABD Hazine Bakanlığı, Medeni Cezalar ve İnfaz Bilgileri- OFAC (Yabancı Varlıkların Kontrolü Ofisi) Yıllara Göre İcra Eylemleri, Özel Olarak Belirlenmiş Vatandaşlar ve Engellenen Kişiler listesi (“SDN Listesi”) Yaptırım Listesi Araması (Sanctions List Search), Resmi Avrupa İstatistiklerini sağlayan Eurostat veri tabanı, Avrupa Komisyonu tarafından sağlanan veriler, Uluslararası Para Fonu veri tabanı (IMF DATA makroekonomik ve finansal verilere erişim) kullanılırken, ikincil kaynaklar olarak ABD kongre raporları, Avrupa Komisyonu raporları, yaptırım teorisi, ikincil yaptırımlar ve diğer ilgili konular hakkında yazılan düşünce kuruluşu raporları ve kitaplar kullanılmıştır.

İkincil yaptırımlar, yaptırımı uygulayan devlet tarafından, birincil yaptırımların etkinliğini artırmak için üçüncü taraf kuruluşlara uygulanan yaptırım türüdür. Pratikte yaptırımı yapan devlet, bireyler ve firmalar gibi üçüncü şahısların yaptırımda hedeflenen ülke ile herhangi bir ekonomik faaliyette bulunmasını, onları kendi pazarından çıkartarak engellemektedir. Bu ve diğer birçok yaptırım, farklı yaptırım türlerinin ve bunların nasıl uygulandıklarının gösterilmesi açısından önemli olan ikinci bölümde sınıflandırılmıştır.

Örneğin, genel olarak, ikincil yaptırımlar ile ülke dışı yaptırımlar arasında bir karışıklık olabilir. Yaptırımların iyi bilindiği yanılsamasına rağmen, birincil ve ikincil yaptırımlar veya ikincil ve ülke dışı, sektörel ve finansal yaptırımlar vb. arasındaki farkı söylemek genellikle oldukça zordur. Bu nedenle, bu bölüm şimdilik çoğu şeyi açıklayan küçük bir kopya kağıdı olarak nitelendirilebilir. Yaptırım-

ların sürekli gelişiyor olması sebebiyle de, bu bölümün en güncel ve kapsamlı bilgilendirme yeri olduğunu iddia etmekten ziyade, daha yapılandırılmış hale getirme çabası mevcuttur.

ABD'nin ikincil yaptırımlarının AB üzerindeki etkisine ilişkin birincil araştırma sorusunu yanıtlamak için bu çalışma, AB'nin İran ile ekonomik ve siyasi ilişkilerini belirlemek için kapsamlı bir araştırma yapmıştır. Bu, uzun vadede AB ekonomisini etkileyen ekonomik ilişkilerin çöküşünün diğer olası nedenlerini ortadan kaldırmamızı sağlamıştır. Araştırmaya dayanarak, iki devlet arasındaki ticari ilişkilerin azalmasının arkasında ikincil yaptırımların uygulanmasından başka bir neden olmadığını söyleyebiliriz. Aslında, Avrupa Birliği İran ile iyi ekonomik ilişkileri sürdürmeye fazlasıyla istekli olup, İran ile ABD arasındaki sorunların düzenlenmesine yönelik büyük emek sarfetmektedir. Avrupa Birliği, nükleer anlaşmanın arkasındaki itici güç olmakla beraber, bu süreçte ABD ile birlikte hareket etmesine rağmen İran'ı anlaşmada tutmak için daha fazla müzakere yapılması yönünde girişim göstermektedir. Genel olarak bakıldığında Orta Doğu ve İran, ekonomik ve güvenlik konuları dahil ancak bunlarla sınırlı olmamak kaydıyla bir çok nedenle AB için oldukça önemlidir.

Trump'ın nükleer anlaşmadan çekilmesinin ardından AB ile İran arasındaki ticaret büyük ölçüde düştüğünden, yaptırımların İran üzerindeki mikroekonomik etkileri grafiklerde/rakamlarda kolayca gösterilebilir. Nükleer anlaşmadan sonra (2016'da) ticari ilişkilerdeki %347'lik artış ve ardından tekrar gelen %85'lik büyüme, ABD'nin aldığı kararından sonra adeta çöküş yaşadı. AB tarafından verilen verilere göre 2019 yılında İran'dan AB'ye yapılan ithalat %92,8 oranında azalırken, İran'a yapılan ihracat ise %50'nin biraz üzerine kadar geriledi (Dış Politikalar Genel Müdürlüğü, 2020). İran'dan maden ürünleri ithalatı %99,7 oranında azalma, genel sanayi malları için de %95,5 düşüş gözlemlenirken, ihracatın durdurulması nedeniyle tahmini kayıp 6,165 milyar EUR civarında (2017 yılındaki ihracat miktarı ile 2019 yılındaki düşüşten yola çıkılarak tahmin edilmektedir) gerçekleşmiştir.

Ayrıca, bu kaybedilen miktarın daha çok gelecekteki kayıp gelirlere bağılı olarak gerçekleşeceği belirtilmektedir.

OFAC'ın veri tabanı aracılığıyla yapılan ayrıntılı araştırma, yaptırım ihlallerini ve OFAC'ın AB merkezli şirketleri cezalandırmak için aldığı önlemleri özetlemek için yapıldı. Araştırmada İran'la ilgili durumların yanı sıra ABD'nin Küba, Suriye, Birmanya ve diğer yaptırım programlarının, AB merkezli şirketler tarafından ihlal etmesi sebebiyle ortaya çıkan vakalar da yer aldı.

Bulunduğu üzere, 31 AB merkezli kuruluş, bir tür ikincil yaptırım olarak (İran ve diğer yaptırım programları kapsamında) para cezasına çarptırıldı. Ayrıca OFAC'ın SDN yaptırım listesi üzerinden yapılan bu araştırmaya göre, İran yaptırımları nedeniyle SDN listesinde 88 “Avrupalı” kuruluş yer almaktadır. Bu veri tabanındaki arama, Avrupa Birliği üye ülkelerinden herhangi birinde kayıtlı varlıkların bulunduğu listenin incelenmesiyle gerçekleştirilmiştir. Hırvatistan'da listelenmiş bir tüzel kişilik bulunmaktadır, Kıbrıs'ta 19, Fransa'da ise bu sayı dört iken SDN'de listelenen işletmelerin mutlak “rekor” sayısı, 38 şirketle Almanya'da mevcuttur; Bunu Yunanistan'dan iki, İtalya'dan üç, Lüksemburg'dan bir, Malta'dan 15 ve Hollanda'dan bir tüzel kişilik izlemektedir. Bu kuruluşların çoğunluğunun, tüm dünyada yasaklanmış olan İran bankalarının/şirketlerinin veya yurtdışındaki İran'a ait şirketlerin yan kuruluşları olduğunu belirtmek önemlidir. Avrupa kurumlarının ikincil bir yaptırım olarak para cezasına çarptırılması vakaları ise, SDN'deki gerçek listeden çok daha yaygındır.

Tüm vakalara dayanarak, OFAC'ın esas olarak Avrupalı şirketlere, yaptırımları daha fazla ihlal etmekten ve SDN'de listelenmekten caydıran para cezaları yoluyla ikincil yaptırımlar uyguladığı tespit edilmiştir. Bir başka ilginç not da, vakaların çoğunun aslında bankalarla ve bankaların yaptırıma tabi kuruluşlar için yaptığı yasa dışı işlemlerle ilgili olmasıdır. Bankalarınsa, küresel finans piyasasına er-

iřimlerini devam ettirmek iin yapılan soruřturmalara destek verme ve para cezası olarak milyonlarca dolar deme eęiliminde olduęu grlmektedir.

Avrupalı kuruluřların, ABD'nin, nkleer anlařmadan ekildięini ve daha nce kaldırılan yaptırımları yeniden uygulamayı planlayan aıklamasının ardından, kendi kendilerine yaptırım uygulamaları durumlarını tanımlamak zerine de alıřma yapılmıřtır. Bu ve dięer vakalar, ABD yaptırımlarının AB ekonomisi zerindeki etkilerini aıklamak iin kullanılmıřtır. Eurostat'ın saęladığı veriler, İran ile AB arasındaki nkleer anlařmanın ardından kademeli olarak toparlanmaya bařlayan ticaretin ABD'nin geri ekilmesiyle bozulduęunu gstermektedir. Yaptırımların yeniden uygulanmasının ardından, AB'den ve AB'ye hem mal hem de hizmet ithalatı ile ihracatında keskin bir dřř grlmřtr. Bu durum, AB'nin İran'la iyi ekonomik iliřkileri srdrmeye istekli olmasına raęmen gerekleřmiřtir.

z-yaptırım, bu tezin arařtırmadan sonra bulduęu bir davranıřtır. z-yaptırım kavramı, doęrudan yaptırıma tabi olmayan nc lke merkezli řirketlerin, yaptırımı yapan devletin sahip olduęu kapasite nedeniyle yaptırım uygulanan devlet ve kuruluřları ile olan iliřkisini kendi rızasıyla durdurması durumunu ifade etmektedir.

Yaptırımların oęunluęunun genellikle para cezaları řeklinde gerekleřmesine raęmen, řirketler varolan nadir vakalardaki gibi finansal sistemden kopmuř, varlıkları dondurulmuř ve Amerikan Doları ile uluslararası iřlem yapma hakkı olmayan firma statsne gelmemek iin panięe kapılmış durumdadırlar.

Aslında sadece birka Avrupa tzel kiřilerine tam ikincil yaptırımların uygulanması vakalarına rastlanılmasına raęmen, z-yaptırım, AB ile İran arasındaki ekonomik iliřkilerin canlanmasını durduran temel sorundur. Verilere yakından bakacak olduęumuzda, ikincil yaptırımlar, beraberinde getirdięi belirsizlik ne-

deniyle etkili olmaktadır. Sonuç olarak, AB şirketleri, ABD'den yaptırım muafiyeti alma seçeneği olsa bile, kendilerini olası sorunlardan korumak için öz yaptırım yapmayı tercih etmekte, ki bu da süreci birinin kazanmasının diğerinin kaybetmesi haline, yani sıfır toplamı bir oyuna dönüştürmektedir.

ABD'nin nükleer anlaşmadan çekilmesinden sonra AB merkezli şirketlerin davranışlarını ele alan Bölüm 5'te öz-yaptırıma ilişkin daha ayrıntılı veriler sağlanmıştır.

Bahsedilmesi gereken bir sonraki nokta ise önyargıdır. AB-İran ekonomik ilişkilerinin çöküşünün arkasındaki asıl nedenin yaptırımlar olduğundan emin olmak için önyargının ortadan kaldırılması gerekmektedir. Ticari ilişkilerin çöküşünün arkasındaki olası sebeplerden biri de pandemiydi. Covid-19 nedeniyle AB'nin genel olarak ihracat ve ithalatı azaldı, bu da İran ile ticaretin de bir miktar azaldığı anlamına gelmektedir. Ancak bu durum, 2020 için ve özel olarak Mart ve Nisan ayları arasında geçerliken, İran ile AB arasındaki ticari ilişkilerindeki düşüş 2018'de ABD'nin tüm yaptırımlarını yeniden uygulamasıyla başladı. Bunun dışında, böyle bir sonuca yol açabilecek başka bir sebep bulunmamaktadır. Ayrıca, Avrupa Birliği üye devletlerinin, Amerikan yaptırımlarından sıyrılmak için çeşitli çözümler üretmeye çalışması, AB'nin İran'la ekonomik bağlarını sürdürmeye istekli olduğunu göstermektedir.

Genel olarak, birincil hedef devlet olduğu için yaptırımların İran üzerindeki etkisini izlemek oldukça basittir. Ancak yaptırımların Avrupa Birliği gibi üçüncü taraflar üzerindeki etkilerini değerlendirmek daha karmaşıktır. Bu karmaşıklığa rağmen hedef devletin, küresel ekonomiye entegrasyon düzeyine bağlı olarak, kendisine uygulanacak herhangi bir devlet yaptırımının diğer devletlere de sıçrayacağı aşıkardır. Bu küreselleşmiş dünyada, bir devletin ekonomisindeki değişim kaçınılmaz olarak bir başka ülkeyi de etkileyecektir. Bununla birlikte, etkinin izini

sürmek ve devletin tam olarak nasıl etkilendiğini görmek de oldukça zordur. Avrupa Birliği çerçevesinde yapılan bu çalışma, İran ile genel ticaret eğilimlerinde, yaptırımlardan öncesini ve sonrasını analiz ederek, meydana gelen ani değişiklikleri belirlemeye çalıştı. Ancak, bir bütün olarak AB ekonomisi üzerindeki etkiyi değerlendirmek daha karmaşık olacaktır. Mantıken konuşursak, her şeyden önce Avrupa Birliği, enerji pazarını çeşitlendirmekle açıkça ilgilendiğinden, AB enerji sektörü bu süreçten etkilenmiş olabilir. İkincisi, AB merkezli şirketlerin, İran'la/İran'daki yapmış oldukları projelerine yatırdıkları büyük miktarda parayı kaybetmeleri üzerine de AB'nin ekonomisi dolaylı olarak etkilenmiştir olduğu söylenebilir.

Yapılan çıkarımlar, esas olarak ABD hazine veri tabanından alınan nicel verilere dayanmaktadır. Öz-yatırım kavramının gelişmesi için ise daha fazla tam teşekküllü nitel/nicel ve deneysel çalışmalar yapılmalı, gerçekliğinin kanıtlanması, bu oluşumun gerçekleşmesi için gereken bütün koşulların bulunması gerekmektedir. Bu çalışma, böyle bir kavramın varlığını önerisel olarak öne süren bir niteliktedir.

Bu çalışmanın önemine değinecek olursak. Bu araştırma, yaptırımların üçüncü taraflar ve özellikle AB üzerindeki etkisine ilişkin mevcut literatürdeki boşluğu doldurmakla kalmayıp, genel olarak yaptırımlar ile ilgili çalışmalara da katkı sağlamaktadır. Ayrıca bu araştırma siyasi iktisatın çok ötesine geçmesi nedeniyle önemlidir. Düşününce ABD, bu çok kutuplu sistemde daha az siyasi kapasiteye sahip olması nedeniyle ekonomik araçları daha sık ve şiddetli bir şekilde kullanmaktadır. Bu sorun, uluslararası sistemin yapısının özüne kadar inmektedir. Çünkü çok kutuplu yapıda aktörler, ya bir kutup etrafında dönmek zorundadır ya da tamamen o kutuptan uzak durması gerekmektedir. Bu durum, AB ile ABD arasındaki gerilimlere rağmen halen Avrupa Birliği'nin ekonomiyi siyasi alandan ayırmaya devam etmesinin nedeni olarak görülebilir. Çin'in giderek güçlenmesiyle birlikte diğer aktörlerin de zamanla bu sürece dahil olması ve karar alması bek-

lenmektedir. Ayrıca, literatüre bakıldığında, yarım önlemler uyguladığı görülen Avrupa Birliği'nin bu etkisiz reaksiyonel eylemlerinin arkasındaki ana sorun da bu sistemin kendisidir

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