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Examining the Impact of Sanctions and the Aftermath of the JCPOA on Iran's Economy

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Abstract

Today, various countries worldwide have managed to eliminate many obstacles that have been in the way of improving the welfare of their people over the years by developing international relations. Two of the most significant obstacles are securing financial resources and gaining access to technology and the market. Implementing sanctions against target countries indicates that economic sanctions have failed to improve the human rights situation and exacerbated it. One of the main levers of economic sanctions is restricting access to economic resources, the most important of which is international trade. The imposition of sanctions against Iran has caused a fundamental disruption in the global economic system. This disruption is now evident in the form of high financial costs and a lack of access to a reliable market for product sales, deepening the technological gap and cheap access to the resulting benefits. This research examines the impact of lifting sanctions and the post-JCPOA era on Iran's economy.

Keywords: sanctions, Post-JCPOA, JCPOA, economy, Iran

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1. Introduction

Iran has always been a focal point of economic and political developments in the Middle East. Among these, Iran's unique capabilities and advantages in various fields, such as access to various energy sources, significant size and population, abundance and diversity of mineral resources, and geostrategic position, have provided a distinct role and place for Iran in the Middle East region. Proper understanding and suitable exploitation of the mentioned situation and advantages can create new opportunities, further highlighting Iran's role in the region and contributing to the country's development and regional peace and growth (Yousefi, 2021). Iran has not been able to make use of its capabilities and advantages so far; according to Dr. Yousefi: "*If we cannot establish a peaceful and reciprocal relationship with the world, we will not be able to adapt to the increasing changes and developments in the world and achieve the necessary benefits to realize national interests*".

Iran's relations with the United States are not the issue of who is more potent, Iran or America. However, instead, the main issue is to gain national benefits through mutual relations (Yousefi, 2021).

Nevertheless, the JCPOA was finally implemented, and with the official announcement of the European Union and the U.S. government, the sanctions against the

Iranian people were lifted. Sanctions that have created problems for Iran's economy over the past few years and more than ever revealed the fragility of the superficial economic foundations of that state to everyone.

With the removal of these sanctions, many economic opportunities occurred for Iran; billions of dollars of Iran's blocked funds were released, the sale and transfer of oil and return of oil money became more manageable, and foreign companies investment and presence were facilitated. The euphoric and joyous era of lifting sanctions began in 2015, and everyone was talking about the end of winter and the beginning of the spring of openness in the economy. This euphoria, however, had been short-lived and unstable if it is analogous to the proverb, "When it was summer, you did not think of winter."

2. Theoretical Foundations of the Research

Some experts believe that economic transformation necessitates structural changes and foundational reform in Iran's economy in light of the lifting of sanctions. With these changes, they hoped the country's economy would follow a path of growth and development. However, for the globalization of the economy and to conduct international transactions, the Iranian government must have continued policies aimed at facilitating capital flows and attracting foreign investments, reducing excessive regulations, and ensuring security for investments.

Regarding foreign currency income and oil sales, Iranian experts believed the government would invest in increasing capacity and production in the oil and gas sector in the post-sanctions era. Under those circumstances, oil exports could have increased by about one million barrels daily, allowing Iran to secure second place in OPEC after Saudi Arabia. Iran's foreign currency income would increase with the lifting of sanctions.

An increase in Iran's oil exports was predicted to be the first effect of lifting sanctions on the world economy. This export increase could lower oil prices to under $15 per barrel in 2016. This would be a positive shock for oil-importing countries and a negative shock for oil-exporting countries. Based on this estimate, half a per cent of the total growth of oil exporters would have been reduced, and half a per cent would have been added to the total growth of importers. Under these conditions, many industrial countries focused on reducing budget deficits would have been able to lower taxes. The main winners of this transaction would have been countries such as Japan and India that import their required oil. The United States would also benefit as it still imports a third of its oil consumption.

Another outcome would have been a reduction of oil prices for countries like Syria and Venezuela. Oil and gas constitute 96% of Russia's exports, and 96% of Russia's tax income comes from taxes received from this sector. On the one hand, the decrease in oil prices and Western sanctions, on the other, might have reduced Russia's economic growth by 1 to 9% in 2016. Venezuela's oil forms over 65% of the country's exports, and state-owned oil companies form more than half of the country's income. The inflation rate in this country in 2015 was over 180%. A decrease in oil prices would likely have caused the Venezuelan government to take on more debt (Society of Official Accountants, 2023).

With the completion of the political process of the Joint Comprehensive Plan of Action (JCPOA) and the initiation of the technical process, Iran saw the start of a test phase to evaluate how to utilize the opportunities provided by lifting sanctions. From the perspective of Iranians who had experienced a period of abundance, from $1 billion in income in 1979 to $519 billion in 2011 (without an appropriate increase in welfare), and who had especially endured hard times since 2011, sanctions have always been regarded as a significant factor in creating chaotic situations, if corruption would not be considered in this case. Therefore, they naturally had high expectations for transformative improvements after lifting sanctions.

3. History of American Sanctions on Iran

The sanctions imposed by the United States on the Islamic Republic of Iran can be divided into five main periods, each with its unique features (Zamani, 2008):

1) The Hostage Crisis Period (1979-1981): This period began with Iranian students' seizure of the U.S. Embassy in Tehran, leading to a crisis in which 52 American diplomats and citizens were held hostage for 444 days. In response, the United States froze billions of dollars in Iranian assets and imposed sanctions, including a ban on almost all

trade between the two nations (BBC News, 2009).

2) The Iran-Iraq War Period (1981-1988): During this period, the United States expanded its sanctions against Iran during the Iran-Iraq War, mainly due to concerns about Iran's regional ambitions and support for terrorist groups. These sanctions included bans on weapons sales and aid to Iran (Parsi, 2012).

3) The Reconstruction Period (1989-1995): Following the Iran-Iraq War, Iran entered a reconstruction period in which it sought to rebuild its economy and military capabilities. The United States responded by tightening sanctions, particularly under the presidency of Bill Clinton, who signed executive orders imposing a total embargo on trade with Iran in 1995 (Ghazvinian, 2007).

4) The Clinton Administration and Bilateral Containment Period (1996-2001): The United States passed the Iran and Libya Sanctions Act (ILSA), which penalized foreign companies investing in Iran's oil and gas sector—the act aimed to prevent Iran from using oil revenue to advance its nuclear program or support terrorism (U.S. Department of State, 1996).

5) The Post-September 11 Period (2001 onward): After the terrorist attacks on September 11, 2001, the United States intensified its focus on combating terrorism and the proliferation of weapons of mass destruction (WMD). Iran was included in President George W. Bush's "Axis of Evil," the U.S. imposed additional sanctions aimed at Iran's nuclear program and its support for groups the U.S. deemed terrorist organizations (George W. Bush White House Archives, 2002).

The first economic sanctions by the United States against Iran took place in 1980 in response to the U.S. Embassy hostage-taking. This sanction annulled a contract for the sale of hundreds of millions of dollars in military equipment that had been signed during the time of Mohammad Reza Shah, making the sale of military equipment to Iran illegal. It also confiscated twelve billion dollars of Iranian government assets in America and prohibited all trade transactions between Iran and the United States. Also, the United States cut off its diplomatic relations with Iran (BBC News, 2009).

Subsequently, several other countries, including the European Union and Japan, joined the U.S., banned the sale of military equipment and loans to Iran, and stopped buying oil from Iran. This sanction was lifted in January 1981 following the release of American hostages, but a significant portion of Iran's assets was not recovered due to claims by American companies. Despite lifting sanctions and resumption of trade relations between the two countries, U.S. relations with Iran remained strained (BBC News, 2009).

During the Iran-Iraq war, President Reagan's administration organized an extensive international movement to prevent the sale of military equipment to Iran to prevent Iran from winning the war against Iraq. In January 1984, due to the bombing of a U.S. military power plant in Lebanon by Hezbollah forces that left 241 dead, the U.S. government listed Iran as a state sponsor of terrorism, which resulted in a ban on the export and sale of military equipment to Iran (since 1984), control of the export of goods that have dual military and non-military uses, and cutting off all financial aid to the country, including opposing loans from the World Bank (Parsi, 2012).

The U.S. government instructed its representative in international financial organizations like the World Bank to oppose any loans and aid from these organizations to Iran, and subsequently, U.S. financial aid to these organizations, which could be allocated as loans to Iran, was reduced (Parsi, 2012). In 1987, President Reagan's administration listed Iran as a country involved in international drug trafficking, imposing further restrictions on exporting and selling military equipment to Iran and sanctioning imports from Iran. However, this sanction did not include purchasing Iranian oil for sale to other countries (markets outside the U.S.) (Parsi, 2012).

After the end of the Iran-Iraq war in 1988 and the beginning of the reconstruction period, economic and political relations between Iran and the European Union improved significantly. However, the change in Iran-US relations started later and very slowly. The existing sanctions remained in place, but the mental state governing relations between the two countries improved. Iran's mediation in the release of Western hostages in Lebanon and Iran's tacit approval of the U.S. attack on Iraq in 1991 played a significant role in improving the situation. In November 1991, the Hague Court obliged the U.S. to pay Iran 278 million dollars in compensation for Iran's prepayments for cancelled military contracts (Ghazvinian, 2007).

In November 1995, the Iran Arms Proliferation Prohibition Act was passed to prevent exporting military technology to Iran. This law conditioned financial aid to Russia on compliance with U.S. sanctions (U.S. Department of State, 1995). Then, in October 1995, the Agricultural Appropriations Act prohibited any country on the list of terrorist states from receiving U.S. government export guarantees (U.S. Department of State, 1995).

With the start of President George W. Bush's term, the pace of economic sanctions against Iran intensified. In January 2001, President Bush Administration sanctioned a Korean company for selling military weapon components. In June 2001, another Korean and a Chinese company were also sanctioned for selling missile and chemical weapons components to Iran. Finally, in August 2001, the Iran-Libya Sanctions Act was extended for five years (U.S. Department of State, 2001).

Following the September 11, 2001 incident, the U.S. government and public concern over international terrorism, the proliferation of nuclear weapons, and the behaviour of regimes in Iraq and Iran increased dramatically. In October 2001, the U.S. military, in cooperation with other allied countries, occupied Afghanistan and overthrew the Taliban regime. In January 2002, President Bush referred to Iran, Iraq, and North Korea as the "Axis of Evil" in his address to Congress and the American people (George W. Bush White House Archives, 2002). Finally, in March 2003, the U.S. military and its allies attacked Iraq and overthrew the government of Saddam Hussein (George W. Bush White House Archives, 2003).

Considering Iran's silence and implicit cooperation with these actions, no significant new measures were taken to intensify sanctions against Iran during the invasion of Afghanistan and Iraq. In May 2003, the U.S. government sanctioned several companies from Maldives, Armenia, and China for selling military components and goods to Iran (U.S. Department of State, 2003). However, during this period, the issue of intensifying economic sanctions against Iran was not at the forefront of U.S. sanctions (U.S. Department of State, 2003).

3.1 Experimental Evidence

The sanction hypothesis was first introduced by Galtung (1967) to express dissatisfaction and curb some behaviors of countries. Sanctions send messages to other countries that must behave similarly to the target country (Chen, 2000). Economic sanctions have four possible objectives: compliance, destruction, internal behavior change, and global behavior change (Lindsay, 1986).

Numerous studies have been conducted on the effects of sanctions. Hoffbauer and Schott studied and analyzed the impact of economic sanctions on the probability of a military attack event between the sanctioned and sanctioned countries. They observed that sanctions complement military disputes, not replace them (Hoffbauer & Schott, 2004). Following this approach, Pape shows that economic sanctions reduce the likelihood of a military attack between two countries, the one imposing the sanctions and the sanctioned one, by 9 per cent (Pape, 2008). Numerous studies are predicting the likelihood of military disputes. Choi and colleagues (2006); Dixon (1994); Fearon (1994 and 1998); and Reiman (1994) believe that democracy-based countries are less likely to be involved in international disputes, as asserted by Maoz (1994), O'Neal and colleagues (2003), and Petrescu (2008).

3.2 Economic Sanctions

The imposition of economic sanctions is often justified as a tool for promoting human rights objectives; however, a study of the effects of sanctions on target countries indicates that these economic sanctions have not only helped improve the human rights situation, but they have also worsened it (Yavari & Mohseni, 2017).

One of the main levers of economic sanctions is limiting access to economic resources, primarily international trade. Consequently, the target government loses a vital artery that fulfils the material needs of society, and the lack of wealth means that the resources necessary to advance human rights objectives are unavailable (Yavari & Mohseni, 2017). For instance, improving the status of access to educational resources requires massive capital expenditure. If a country lacks this resource, it will undoubtedly face difficulties in promoting its objectives (Yavari & Mohseni, 2017).

Thus, it becomes evident that economic sanctions cannot produce the intended effect (Yavari & Mohseni, 2017). On the other hand, human rights regulations are also contrary to the imposition of economic sanctions, especially in cases where they conflict with individual rights (Yavari & Mohseni, 2017). Also, the rules and regulations governing international trade, as manifested in the World Trade Organization, have made the imposition of economic sanctions highly restricted and nearly impossible (Yavari & Mohseni, 2017).

4. The Right to Trade Is a Fundamental Right

The international trade system is primarily recognized as a rights-based system. However, the expansion of this system and the impossibility of meeting a country's needs without utilizing this vast network have led to more claims about the right to trade. Indeed, a rights-centred approach to trade previously appeared in ideas such as non-discrimination in trade conduct (Terms of National and Most-Favored-Nation, 1948); but today, the separation of human rights from simple trade concepts is not simple; it has even been manifested that such separation can ultimately be detrimental to human rights, as it renders human rights a political matter that, in most cases, lacks enforceability and makes trade an operational matter (Alston, 2019).

Amartya Sen, a Nobel Prize laureate, believes that when countries are poor, their citizens lack access to other wealth-producing resources such as education, land, health, justice, and credit, it is the government's responsibility to provide the needs of the population, and the government also needs trade participation to make these resources available in the market (Arson, 2015).

After World War II, two movements emerged for the growth of two spheres of rights. One was in 1948 with the Universal Declaration of Human Rights issuance, and the other was in 1947, formulating the General Agreement on Tariffs and Trade. The short time difference between these two spheres, especially after World War II, when countries were striving for peace, indicates that governments were also aware of the relationship between trade and human rights on this path (Arson, 2015). The right to trade was even seen long before such movements in Victoria's idea, who considered the right to trade as one of the rights of nations (Van den Herik, 2016). Therefore, trade is usually considered the right of governments today, and individuals can enforce this right on behalf of their government. That is why settling trade disputes also occurs among governments at the World Trade Organization (Asghari, 2020).

Over time, governments have developed legal ways to access international dispute resolution. In the field of trade and human rights, which examines the mutual impact "impact assessment" (Ibid, 2020), the extensive use of assessment methods in trade and human rights makes it clear that trade, considering its effects on promoting human rights and socio-economic standards, presents itself as a right that also paves the way for other rights (Harrison & Goller, 2023).

5. Competition Regulations Within the World Trade Organization (WTO)

The framework of the WTO significantly limits the allowance for comprehensive sanctions, yet efforts have been made to interpret human rights sanctions as implementable. Authors who study the implementation of economic sanctions within the General Agreement on Tariffs and Trade (GATT) framework categorize sanctions into three general types: appropriate sanctions, semi-appropriate sanctions, and general sanctions (Cleveland, 2003).

Appropriate sanctions refer to those directly related to human rights violations and may be implemented by producing or consuming a specific commodity. Semi-appropriate sanctions are those indirectly related to human rights violations, such as goods whose sales revenues are used for anti-human rights activities. General sanctions refer to those that can be applied irrespective of connection to a specific commodity and can be implemented at the discretion of a country (Cleveland, 2003).

Sanction advocates within the GATT framework believe that sanctions are necessary to guarantee the enforcement of human rights in the world of free trade. However, studies examining the effectiveness of sanctions have failed to confirm the role of economic sanctions (Wallenstein, 1995).

Although appropriate sanctions may be used within the WTO framework, their effectiveness is considered low. For instance, they cannot sanction a country that produces a commodity through human rights violations but uses it domestically or exports it to a third country. Conversely, semi-appropriate and general sanctions can better achieve this goal (Cleveland, 2003).

One suggested way to make general and semi-appropriate sanctions possible involves interpreting GATT obligations in light of other international customary law commitments or human rights treaties. However, this view must provide a clear answer, as neither customary international law nor treaties stipulate that states must guarantee human rights through economic sanctions.

Any action to prevent human rights violations and impose sanctions against a violating state encounters the obstacle of non-discrimination provisions in Articles 1 and 3 and the non-tariff restrictions in Article 11. Nevertheless, Article 1, which prohibits discrimination between similar goods, may allow the interpretation that distinguishes goods produced in violation of human rights from those produced differently (Vasquez, 2003; Wei, 2010).

An argument also allows distinguishing goods based on non-physical and unrelated to the manufacturing process characteristics. Articles 20 and 21 of the GATT, Agreement 10 also relate to actions aimed at preventing human rights violations, and exceptions mentioned therein are used to justify the implementation of appropriate sanctions.

6. The Impact of American Export Sanctions on the Iranian Economy

Following the Islamic Revolution of 1979, primarily due to prohibition, American exports to Iran have diminished significantly. Additionally, because Iran has banned the import of American-made goods, the level of imports is almost negligible and ambiguous, a policy that was ultimately revised in 1991 (Yavari & Mohseni, 2010).

During this period, some American goods were imported into Iran through other countries at multiple times their original price (Yavari & Mohseni, 2010). In 1991, when Iran lifted the ban on imports from America, imports from the country increased and reached a maximum of $750 million in 1992; however, in 1993, America's exports underwent a declining trend, and in 1994 (three years before the sanctions were implemented) Iran's total imports from America decreased so much so that America was at the bottom of the list of exporters to Iran, at $329 million and with a 2.60% share (Yavari & Mohseni, 2010)

7. Effects of Financial Sanctions

To assess the impact of American financial sanctions, it is necessary to understand how they affect the flow of debt and Iranian capital assets. Iran primarily needs borrowing to develop projects and investment in the oil sector. In addition to trade sanctions, America uses some financial sanctions tools. Among these tools are depriving Iran of financing through the Export-Import Bank, export credits, loan guarantees, and export insurance. America also advises its representative in international financial institutions to oppose or pass laws against the expansion of credits or other financial cooperation with Iran. These financial institutions include the World Bank, International Development Cooperation Organization, Asian Development Bank, and the International Monetary Fund. The history of using financial sanctions against Iran dates back to 2005, and these sanctions, along with other sanctions imposed in 1995 that prohibited all trade and financial relations, were added. Such financial sanctions weaken Iran's financial ability, and this country is forced to finance from the financial resources of other countries, which are generally more expensive than commercial banks (Yavari & Mohseni, 2010).

8. The Impact of the Post-JCPOA Era on Economic Factors: Diverse Perspectives

With the sanctions' shadow receding from Iran's economy, hopes for a quicker recovery from recession and Iran's re-engagement in the global economic stage, especially in international monetary and financial exchanges, have been revived (Yavari & Mohseni, 2018).

The most impactful sanctions were the banking ones, given the irreplaceable role of banks in international monetary and financial dealings (Yavari & Mohseni, 2018). These sanctions disrupted Iran's economic connection with the world, imposed significant costs on the country, and resulted in limited access to the country's foreign income and international financial resources (Yavari & Mohseni, 2018). It also hampered the execution of regular international transactions through documentary credits and cash payments to foreign sellers through risky and unconventional channels, leading to major internal corruption (Yavari & Mohseni, 2018). Furthermore, the inability to use international credit cards was one of the barriers to attracting tourists to Iran (Yavari & Mohseni, 2018).

In the field of exports, the receipt of foreign currency for exported goods encountered many difficulties, turning the export profits into gains for export intermediaries rather than producers and exporters (Yavari & Mohseni, 2018). Even if the U.S. lags in fulfilling its commitments, as long as Iran continues to fulfil its role, other Western countries, where Iran holds a significant position in their foreign policy, including the economic aspect and particularly after the lifting of sanctions, will not be ready to return to the era of sanctions (Yavari & Mohseni, 2018)—especially given the positive report published by the International Atomic Energy Agency about Iran's activities before implementing the JCPOA and lifting sanctions (Yavari & Mohseni, 2018).

9. Currency

The lifting of sanctions was expected to free up blocked money in foreign countries, with the total amount estimated to be at least $30 billion. This cash infusion was anticipated to stimulate the Iranian economy.

Economists suggested that, in the post-sanction period, there should have been restrictions on exporting money for luxury goods, and efforts should have been made to prevent the outflow of currency under various pretexts (Society of Official Accountants, 2023).

Simultaneously, regulatory restrictions should have been removed to streamline applicants' acquisition of necessary foreign exchange. In this situation, the informal market would have disappeared, and the price of goods and currency would have followed a correct trajectory (Society of Official Accountants, 2023).

In terms of foreign investment, political barriers to attracting foreign investment could have likely be removed between 2015 to 2018. However, psychological barriers to attracting investors would take more work to overcome. It was recommended that conditions for doing business should have been facilitated, and foreign investments in high technology should have been encouraged, with the products exported overseas (Society of Official Accountants, 2023).

It was predicted that the government would apply stricter and more precise fiscal policies due to the need for economic discipline and the advancement of economic programs. Furthermore, implementing a comprehensive tax plan would have significantly increased the country's tax revenue, reducing Iran's dependence on oil (Society of Official Accountants, 2023).

Regarding domestic production, Iran is the second-most populous country in the Middle East, with a population of 83 million. It possesses 24% of the world's oil reserves and 17% of the world's gas reserves. The World Bank has placed Iran on the list of "high-income" countries based on purchasing power parity. Even under sanctions, Iran has become the second-largest economy in the Middle East. The primary issue in the post-sanction economy is how new foreign exchange resources should be managed to maximize benefits for the Iranian economy. In this regard, it was necessary to use oil dollars to develop infrastructures, including advanced production lines (Society of Official Accountants, 2023).

10. The Housing Sector

The housing sector in Iran has faced low demand over the past two years, preventing an increase in housing prices. Thus, the maximum rate can only be equivalent to or less than the inflation rate. Iran's economic growth could increase by 2.2% since the agreement on the JCPOA and the reimposed of the Sanction by President Trump in 2018.

Regarding the capital market, given the need to implement corporate governance principles, these activities should be further expanded in large companies and listed companies. These existing principles can stimulate and intensify the activities of board committees, including the audit committee, internal audit, assurance services, and consultancy, and significantly enhance internal control in the country's economic units. Experts believed that lifting sanctions could lead to the development of Iran's capital market. This development could have provided opportunities for Iranian securities to be offered in global markets, foreign securities to be offered in the Iranian market, mutual relations between Iran and other countries in technology exchange transactions, and the possibility of selling Iranian fixed-income securities abroad (Iranian Association of Official Accountants, 2023).

11. The Banking System

The banking system in Iran could have improved due to the release of Iranian funds. The government, which owes 1500 billion rials to the banking system and companies, could have repaid its debts or part of them. This action could have improved the domestic economic situation. With economic improvement, interest rates decrease and production increases. Furthermore, with the lifting of sanctions, the muted demands between 203 to 2015 were released, aiding investment and production increase (Iranian Association of Official Accountants, 2023).

Economic enterprises, in order to grow, need financial resources, and financing in Iran's economy is dependent mainly on banks. The banking system was seriously suffering from the disease of massive toxic assets and the illiquidity of assets. This primary failure manifested as a fundamental disruption in the provision of cash needed for economic activities, has become the number one problem in Iran's economy today. The roots of this disease can be identified primarily in the profound monetary growth of the banking system without the necessary institutional infrastructure for this volume of activity from a regulatory and risk management perspective on the one hand, and the mandatory determination of bank interest rates far below inflation, which led to financial repression and instrumental use of enterprises and a desire to default on the other hand. In such an unfavourable and vulnerable environment, the more than 500 per cent increase in energy prices in the second half of 2013 and the occurrence of the currency crisis of 2018 and 2019, which led to a sudden increase in the circulating capital of economic enterprises, also imposed a large volume of non-willing default to the country's banking system. The existing financial squeeze can be considered the most significant threat to achieving acceptable economic growth and single-digit inflation (Nili, 2023).

12. Technological Sectors

While experts believed implementing nuclear agreements could benefit various technological sectors, overcoming challenges and deficits in these areas depended on lifting sanctions (Institute of Chartered Accountants, 2021).

Over a hundred countries have adopted international financial reporting standards (IFRS). The primary objectives of these standards are to increase the comparability and transparency of financial information, enhance the efficiency of capital markets, and have positive economic consequences. As Iran expanded its international relations, its adoption of IFRS was expected to strengthen (Institute of Chartered Accountants, 2021).

The issue of economic sanctions and their legitimacy has provoked considerable debate. U.S. sanctions have caused economic harm to Iran and have stymied economic successes (Institute of Chartered Accountants, 2021). The effects of trade sanctions on Iran's non-oil exports and capital goods imports have been more significant than oil export sanctions (Institute of Chartered Accountants, 2021). Financial and export sanctions on certain goods can create conditions similar to full sanctions (Institute of Chartered Accountants, 2021).

There was optimism about implementing the Joint Comprehensive Plan of Action (JCPOA), as both sides had negotiated and agreed upon several points. The international community welcomed this agreement, which was a win-win for both parties. According to the Persian translation of the JCPOA published by the Ministry of Foreign Affairs, sanctions were supposed to cease gradually from 2025 onwards. However, the passage of the JCPOA was fraught with challenges due to the intricate process of U.S. sanctions, which will likely take time to be lifted (Institute of Chartered Accountants, 2021).

The Iranian government's declared policies for the post-sanction period emphasize a resilient economy. In this phase, the government was committed to strengthening the private sector, striving for a competitive international economy, avoiding crude oil sales, making investments more profitable and stable, avoiding consumer goods import, encouraging foreign investors to cooperate with Iran for technology transfer and market provision, increasing non-oil exports, removing export barriers, increasing financial discipline of government officials and dealing with violations, establishing a comprehensive tax system and increasing tax justice, and developing and internationalizing the capital market (Institute of Chartered Accountants, 2021). Achieving these goals required proper planning, building trust, gaining the participation of domestic and foreign experts and investors, and creating necessary infrastructures and foundations with a long-term view (Institute of Chartered Accountants, 2021).

13. The Effects of the Sanctions on Iran's Economy by 2023

The economic sanctions have brought numerous challenges to the Islamic Republic's economy. The effects of international sanctions in 2022 were more apparent than ever in the economy and policy of the Islamic Republic, driving the dollar exchange rate up to 60,000 Tomans. This indicates a freefall in the national currency's value and the impoverishment of Iranian society (Economic Research Journal, 2023).

The trend is predicted to continue with greater severity in the year 2023. To mitigate these impacts, officials of the Islamic Republic have undertaken policies to improve relations with neighbours, expand cooperation with China and Russia, increase taxes, sell state properties, and significantly reduce expenditures (Economic Research Journal, 2023).

The reality and impact of international sanctions have become so transparent and stark that few officials in the Islamic Republic consider it a "blessing" and "opportunity". They seek ways to reduce its detrimental effects in all aspects by any means possible (Economic Research Journal, 2023).

This situation has progressed to the point where the "Economic Research" journal, affiliated with Tarbiat Modares University, published three research studies on the impact of sanctions on the economy of the Islamic Republic and the value of the national currency in its most recent issue (Economic Research Journal, 2023).

The research findings demonstrate that sanctions have become Iran's principal cause of macro and microeconomic problems. Continuing this trend could yield catastrophic future social, individual, and economic outcomes (Economic Research Journal, 2023).

In its latest issue, the "Economic Research" journal, affiliated with Tarbiat Modares University, published three studies on the impact of sanctions on the Islamic Republic's economy and the value of its national currency. One of these studies, entitled "The Economic Effects of Financial Sanctions on Iran's Economy," investigates the impact of sanctions on the Islamic Republic's economy from 2001 to 2020 (Economic Research Journal, 2023).

This research confirms that sanctions have caused significant adverse shocks in fixed investments over the last 20 years, drastically reducing this trend (Economic Research Journal, 2023).

The shocking increase in the price of goods and services over the past two decades is another shock that has been inflicted on the Iranian economy and the living standards of its people as a result of sanctions (Economic Research Journal, 2023).

Another part of this study shows that the shock of sanctions has significantly affected exports and imports, decreasing indicators in this area (Economic Research Journal, 2023).

Another research published in the latest issue of this journal, titled "Examination of Currency Rate Increase and Its Impact on Some Macro Economic Variables in Iran in the Sanctions Era," validates the findings of the previous study, unveiling the calamitous state of the Islamic Republic in the global economy (Economic Research Journal, 2023).

This research, which discusses and investigates economic data from 1959 to 2017, states that from 2016 to 2020, the Islamic Republic's share of global trade was always less than 0.5 per cent and decreased to 0.3 per cent in 2018 and 0.2 per cent in 2020 (Economic Research Journal, 2023).

This research identifies one of the main reasons for this historical decline as the weakening of the productive foundations due to the devaluation of the country's national currency over the past decade, mainly due to international sanctions (Economic Research Journal, 2023).

The study admits that the increase in the exchange rate over the past ten years has harmed the Islamic Republic's foreign trade (Economic Research Journal, 2023).

As this study demonstrates, the increase in the exchange rate in recent years has led to the impoverishment of the underprivileged classes and the enrichment of a minority who own fixed assets. Consequently, it has increased societal class disparities, especially in large cities (Research Group, 2023).

The above table, which shows the Gini coefficient from 2012 to 2019, clearly shows class divisions and increasing economic inequalities in Iranian society. This index has been increasing yearly and has registered another decline in 2022 (Research Group, 2023).

This study identifies one of the reasons for the increase in the Gini coefficient in the economy of the Islamic Republic as the increase in the exchange rate, stating that this situation "not only limited economic growth due to increased production costs, but also caused the impoverishment of the underprivileged classes and more unfair income distribution in society" (Research Group, 2023).

Another part of this study states: "Sanctions and the increase in the exchange rate have led to an increase in the price level of imported goods in the domestic market. Since most imported goods are related to raw materials and capital, the country's production capacities and gross domestic product use has decreased" (Research Group, 2023).

The study also writes that "the increase in the exchange rate has caused a shock depreciation of the national currency and a decrease in employment". This issue "has not been particularly successful for the country's economy and has mostly reflected in price increases" (Research Group, 2023).

The third study of this journal, titled "The Effect of Sanctions and the Status of Oil Revenues on the Degree of Currency Rate Pass-Through", which examines economic data from 1990 to 2021, tries to discuss and investigate the impact of sanctions on the economy of the Islamic Republic from a different perspective (Research Group, 2023).

This study states that the amount of the Islamic Republic's imports during this period has been on a downward trend when government oil revenues have decreased and an upward trend when oil revenues have increased (Research Group, 2023).

The research investigation identifies one of the primary reasons for the historical decline in Iran's economy: the weakening of the productive foundations due to the devaluation of the national currency over the past decade. This has largely been due to international sanctions (Research Group, 2023).

The study acknowledges that the increase in the exchange rate over the past decade has adversely affected the foreign trade of the Islamic Republic. This increase has led to the impoverishment of the weaker strata and the enrichment of a minority owning fixed assets. Consequently, it has exacerbated social class disparities, especially in large cities (Research Group, 2023).

The presented data from 2011 to 2018 portrays the increase in economic inequalities in Iranian society, as indicated by the Gini coefficient. This index has annually increased, documenting another recession in 2023. One of the reasons for the increase in the Gini coefficient in the Islamic Republic's economy is the increased exchange rate (Research Group, 2023).

The research also points out that the conditions of sanctions and the increase in the exchange rate have resulted in higher prices for imported goods in the domestic market. Given that the bulk of imported goods pertain to raw materials and capital goods, the country's utilization of production capacities and the gross domestic product has diminished (Research Group, 2023).

Furthermore, the research points out that the increased exchange rate has induced a shock of national currency devaluation and job losses. This situation could have been more fruitful for the country's economy and is primarily reflected in the price increases (Research Group, 2023).

The third study in the journal, titled "The effect of sanctions and the state of oil revenues on the degree of currency transfer," explores the impact of sanctions on Iran's economy from another angle by examining economic data between 1990 and 2023 (Research Group, 2023).

The research indicates that the import rate of the Islamic Republic during this period followed a declining trend when the government's oil revenues decreased and an ascending trend when the oil revenues increased (Research Group, 2023).

The study also notes that during the upward trend in oil revenues and imports, global markets, not domestically produced goods, have claimed a larger share of Iranian households' living standards (Research Group, 2023).

Finally, the results of all these studies confirm the devastating impact of the intensification of sanctions and trade and financial restrictions on Iran's economy and people's living standards since the early 2010s (Research Group, 2023).

The American newspaper, The Wall Street Journal, in an exclusive report on Thursday, June 15, stated that the Biden administration has quietly initiated negotiations with Tehran to secure the release of American prisoners held in Iranian custody and curb Iran's escalating nuclear activities ("Biden Administration Quietly Initiates Negotiations with Iran," 2023).

According to the newspaper, Washington has also approved Iraq's payment of 2.5 billion euros, equivalent to 2.7 billion dollars, for importing electricity and gas from Iran. U.S. economic sanctions against Iraq blocked these funds. American officials described the transfer of funds as a routine matter unrelated to the negotiations. Similar funds had been released in the past, although this time, it was done in euros rather than local currencies ("Biden Administration Quietly Initiates Negotiations with Iran," 2023).

After the commencement of direct talks between senior American and Iranian officials in New York in December, White House officials have travelled to Oman at least three times for indirect contacts. Omani officials have acted as intermediaries in exchanging messages between the two parties ("Biden Administration Quietly Initiates Negotiations with Iran," 2023).

Iranian officials have repeatedly linked the potential release of prisoners to accessing 7 billion dollars of Iranian funds blocked in South Korea and have called for access to billions of dollars withheld in Iraq for the delivery of oil and gas. Officials from the previous South Korean government stated that negotiations with Iran and the United States regarding releasing these funds for humanitarian purposes are ongoing ("Biden Administration Quietly Initiates Negotiations with Iran," 2023).

The Wall Street Journal also stated that "the Biden administration is eager not to put negotiations with Iran at the forefront of its political agenda as it nears the presidential election battles, as any formal agreement or even an informal understanding, which seems highly likely, could face scrutiny in Congress, where Republicans and some Democrats are staunchly opposed to any nuclear agreement with Iran" ("Biden Administration Quietly Initiates Negotiations with Iran," 2023).

Since the reimposition of U.S. sanctions in 2018, Iran has expanded its nuclear activities and has been increasing its stockpiles of 60% enriched uranium for over two years ("Iran Increases Stockpile of 60% Enriched Uranium," 2023).

In its latest quarterly report, the International Atomic Energy Agency noted a 25% increase in Iran's stockpile of 60% enriched uranium. It stated that Iran is the only country without nuclear weapons with such a significant stockpile of highly enriched uranium ("Iran Increases Stockpile of 60% Enriched Uranium," 2023).

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