ECONOMIC REVENUE OF IRAN IN THE POST NUCLEAR DEVELOPMENT: 
THE CASE OF U.S. OIL EMBARGO 
(2010-2012)

By
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THESIS ADVISER
RECOMMENDATION LETTER

This thesis entitled “Economic Revenue of Iran in the Post Nuclear Development: the case of US Oil Embargo (2010-2012)” prepared and submitted by Mahditiara Angriani in partial fulfillment of the requirements for the degree of Bachelor in the Faculty of Business Administration and International Relations has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for Oral Defense.

Cikarang, Indonesia, ________________

Name and signature of Adviser

___________________________________

Prof. Anak Agung Banyu Perwita, Ph.D
DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “Economic Revenue of Iran in the Post Nuclear Development: the case of US Oil Embargo (2010-2012)” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, ______________________

Mahditiara Angriani
The Panel of Examiners declares that the thesis entitled “Economic Revenue of Iran in the Post Nuclear Development: the case of US Oil Embargo (2010-2012)” that was submitted by Mahditiara Angriani majoring in International Relations from the Faculty of Business Administration and International Relations was assessed and approved to have passed the Oral Examination on February 25th, 2013.

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Prof. Anak Agung Banyu Perwita, Ph.D

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Teuku Rezasyah, Ph.D

__________________________
Hendra Manurung, MA
ABSTRACT


Iran’s nuclear program and proliferation is one of booming international issues which could influence the stability of economic, politic, and security of almost all country in the world. The history of Iran’s nuclear program started under the reign of the Shah. At that time, a civil cooperation agreement existed with The United States as part of the Atoms for Peace project. The project ended up with the commissioning of the Tehran research reactor (TRR), in 1967. Iran became one of the countries that signed the Nuclear Non-Proliferation Treaty (NPT). However, The United States and its allies continue to accuse Iran has a hidden ambition to develop nuclear weapon. President of the U.S Barrack Obama trying to do many ways to stop the developing of Iran nuclear, Obama's dream of a world without nuclear weapons since U.S led by him. The main purpose of the sanctions against the oil and gas sector of a country is to limit state revenue and, perhaps in the later stages, disable it altogether. Sanctions against Iran's oil and gas revenues that have the greatest percentage of the total state income are considered by the West to stop or slow down Iran's nuclear program. Iran national income largest is comes from the oil, so that’s why the US and allies imposed oil embargo in the hope that Iran economic development will be crippled and the effect on nuclear development program.

Barrack Obama tightened American sanctions on business with Iran. The sanctions are intended to deprive the Iranian nuclear program of the funding it needs to continue. While the United States has had some sort of sanction levied against Iran for most of 30 years, few of them have levered Iran into compliance with international rules regarding terrorism or nuclear energy. Most of the current sanctions cut into Iran's oil exports.

Mismanagement and the slowdown will make Iran’s economy more vulnerable to sanctions, which have already begun to bite in the financial sector. UN Security Council sanctions leave Iran in a poor position to seek access to international credit. Iran will not collapse because of decreased revenues; it survived a similar situation in the 1980s and will, no doubt, try to make a virtue out of necessity by appealing to the revolutionary spirit while blaming sanctions and foreign enemies for any difficulties.

Keywords: Iran’s nuclear, sanction, oil, economic development.
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Finally, may this thesis be meaningful for the development of science, especially in International Relations field of study.

January 2013,

Mahditiara Angriani
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<th>Full Form</th>
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<tbody>
<tr>
<td>CFR</td>
<td>Council on Foreign Relation</td>
</tr>
<tr>
<td>CISADA</td>
<td>Comprehensive Iran Sanctions, Accountability, and Divestment Act</td>
</tr>
<tr>
<td>DIQ</td>
<td>Design Information Questionnaire</td>
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<tr>
<td>FFEP</td>
<td>Fordow Fuel Enrichment Plant</td>
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<td>HEU</td>
<td>Highly Enriched Uranium</td>
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<td>TRR</td>
<td>Tehran research reactor</td>
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<td>IAEA</td>
<td>International Atomic Energy Agency</td>
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<tr>
<td>IGO’s</td>
<td>Inter-Governmental Organizations</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>INGO’s</td>
<td>International Nongovernmental Organizations</td>
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<tr>
<td>IRISL</td>
<td>Islamic Republic of Iran Shipping Lines</td>
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<tr>
<td>MNCs</td>
<td>Multinational Corporations</td>
</tr>
<tr>
<td>NGO’s</td>
<td>Non-Governmental Organizations</td>
</tr>
<tr>
<td>NPT</td>
<td>Non-Proliferation treaty</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of the Petroleum Exporting Countries</td>
</tr>
<tr>
<td>TSL</td>
<td>Targeted Subsidies Law</td>
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<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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CHAPTER I
INTRODUCTION

I. 1. Background of Study

The history of Iran’s nuclear program started under the reign of the Shah. At that time, a civil cooperation agreement existed with The United States as part of the Atoms for Peace project. The project ended up with the commissioning of the Tehran research reactor (TRR), fuelled by American highly enriched uranium (HEU), in 1967. In 1968, Iran signed the non-proliferation treaty (NPT) and the Safeguards Agreement in 1974.¹

Iran became one of the countries that signed the Nuclear Non-Proliferation Treaty (NPT). Based on that agreement contained a clause states that: “every member state has the right to receive technical assistance, equipment and materials from the five nuclear states or other non-nuclear states to develop nuclear intended for peaceful purposes”.² However, The United States and its allies continue to accuse Iran has a hidden ambition to develop nuclear weapon.

Since the mid-1980s, Israel, the United States, and other Western powers such as European Union countries have accused Iran of pursuing nuclear weapons capability. Iranian officials have categorically denied these

¹ IAEA, Communication dated December 3, 2010, received from the Permanent Mission of the Islamic Republic of Iran to the Agency regarding the Director General’s Report to the Board of Governors. INFIRC/810 of December 9, 2010.
² Article IV Nuclear Non Proliferation Treaty. http://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=1491&context=ilj
accusations and claimed that their nuclear program is designed for civilian purposes, not military ones. These accusations and denials have further intensified since the early 2000s with the revelation of previously unknown nuclear activities by the Iranian authority. The International Atomic Energy Agency (IAEA) and the European Union (EU) has engaged in prolonged negotiations with Iran to verify adherence to its Non-Proliferation Treaty (NPT) commitments. In short, the Iranian case represents one of the most serious challenges to the non-proliferation regime.3

On August 1st 2005, Iran announced their goal to IAEA which was to continue plan of conversion in Isfahan nuclear reactors in responding to the United States and its European allies suspicion Iran is developing nuclear technology is a nuclear bomb. Recognizing the strong reaction from the U.S., Iran took dual policies in diplomacy, that was by rejected all diplomatic efforts initiated by the U.S., but on the other side to soften the diplomacy waged by the state Europe.4

Over three decades of Iran experience in make efforts to against the enemies since Islamic revolution changed; the Islamic Republic has demonstrated that it will not bow to foreign pressure. The United States has imposed sanctions on Iran since 1980 and has fostered international consensus behind a strategy to increase Iran’s political and economic isolation for the last two decades. Since the existence of Iran’s clandestine

4 http://www.nti.org/e_research/profiles/Iran/Nuclear/index.html, accessed on 11th October 2012
nuclear activities became public in 2002, Western states have imposed escalating pressure as a way of altering the regime’s nuclear behavior. Particularly in the United States, policies designed to deal with Iran’s nuclear activities assume the worst about Iranian intentions that is, that Iran is intent on acquiring nuclear weapons. Yet, a policy that assumes Iran’s leaders are irrevocably committed to weapons acquisition is misaligned with the reality of nuclear ambivalence. It should be unsurprising, then, that the record of Western attempts to influence Iran’s decision making by imposing pressure from the outside has been abysmal. More often than not, Iran has responded to threats and provocations with provocations of its own.⁵

Just as it did with developing chemical weapons during the 1980s, Iran has responded to what it viewed as provocative Western actions directed toward its nuclear program by escalating its own nuclear defiance. When Barrack Obama took office in January 2009, he promised to engage with Tehran in an atmosphere of mutual respect and without preconditions. Hopes were raised in Tehran that Obama might be a different kind of American president. Supreme Leader Ali Khamenei famously responded to Obama’s message of change by saying, “If you change your attitude, we will change our attitude,” admitting that there are in fact some areas where Iran’s policies could warrant alteration.⁶ Expectations were high leading into the first significant meeting of the P5+1 (the five permanent members of the UN

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⁵ To cite this article: Patrick Disney (2012): KICKING THE HORNETS’NEST, The Nonproliferation Review, 19:2, 165-166  To link to this article: http://dx.doi.org/10.1080/10736700.2012.691019
Security Council plus Germany). The initial response by Iran’s envoys was positive, and the parties left the October 1, 2009 meeting optimistic that a deal might be in the offing. In the following weeks, however, Tehran made it clear that it would not accept the deal as offered, and Washington declared it to be a “take it or leave it” proposition. By the end of October, the deal had broken down.\(^7\)

Importantly, in this time that the Obama administration made a coordinated decision to shift the US approach away from diplomatic engagement and return once again to the sanctions track. Such a shift toward the pressure track had always been part of the Obama administration’s strategy; President Obama laid out this course on the morning of the October 1\(^{st}\) meeting in Geneva: “If Iran does not take steps in the near future to live up to its obligations, then The United States will not continue to negotiate indefinitely, and we are prepared to move towards increased pressure.”\(^8\) In testimony before the Senate on October 6\(^{th}\) 2009, Deputy Secretary of State James Steinberg explained in greater detail the so-called dual-track approach, saying, “As the United States has shown its commitment to engaging in serious, good-faith talks, we are also working together to lay the groundwork

\(^7\) To cite this article: Patrick Disney (2012): KICKING THE HORNETS’NEST, The Nonproliferation Review, 19:2, Page 166 To link to this article: http://dx.doi.org/10.1080/10736700.2012.691019

\(^8\) “Remarks by the President on the Meeting of the P5+1 Regarding Iran,” White House, October 1, 2009, (www.whitehouse.gov/the-press-office/remarks-president-meeting-p5-plus-1-regarding-iran).
for concerted and effective international action to pressure Iran to change its policies if negotiations do not produce the necessary results.”

In no part of the world is the USA projecting its imperial power as forcefully, some may say as arrogantly, aggressively and destructively, as in the Middle East, and nowhere more so than in Iraq and Iran, both possessing vast amounts of oil and natural gas reserves. There is, of course, a close relationship between the supply of secured oil from foreign countries and global power; hence the linkage of oil to US foreign policy and national security, and hence the USA’s deep involvement in the Middle East, now that the old USSR no longer exists as a rival.

U.S. foreign policy towards the Middle East region can’t be separated from the aspect of the energy dependence of petroleum. This is not surprising because the combined production of oil per day from several countries in the Middle East region, namely: Saudi Arabia, Iraq, Iran, Kuwait, United Arab Emirates, and Qatar, generating approximately 56% of the total oil world. Before Shah Reza Pahlavi was overthrown, the major U.S. oil supplies from the Middle East met through two states; Saudi Arabia and Iran. But after the Islamic Revolution of Iran in 1980, the U.S. lost its supplies from Iran. The United State economy had experienced great turmoil due to a surge in world

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10 To cite this article: Adam Tarock (2006): Iran's nuclear programme and the west, Third World Quarterly, 27:4, Page 645 To link to this article: http://dx.doi.org/10.1080/01436590600730776

oil prices (oil shock) between 1973-1975 and 1978-1980. Since then, the U.S. government has always launched a program to reduce dependence on foreign oil, but in fact every year the U.S. oil demand is always increasing.\footnote{In 1973, the price of light oil from Saudi Arabia crude per barrel is USD 2.41. However, when the Arab oil embargo following the Arab-Israeli conflict, in 1975, oil prices jumped to $10.73. Then in early 1978 oil prices also rose sharply from USD 13.34 to USD 32.81. See Mamoun Fandy.}

Iran U.S. relations strained at the best of times since the 1979 Iranian revolution have never been worse than during the past six years, due to the much more intense interaction between the two states since the revelations about Iran’s nuclear ambitions and the United States invasion of Iraq. The United States sees Iran as a potential strategic rival, while Tehran views the American presence in the Middle East as a potential existential threat. This has led to zero-sum thinking and has raised the stakes correspondingly. In the process there has been an inflation of the Iranian threat, which is poorly understood and often exaggerated. Depicting Iran as a military threat obscures the real political threat the country poses to its region; Iran’s regional behavior has been neglected and overshadowed by the contentious nuclear issue. However, it is precisely Iran’s behavior and goals which feed concerns about its nuclear ambitions.\footnote{To cite this article: Shahram Chubin (2009): Iran's Power in Context, Survival: Global Politics and Strategy, 51:1, 165-166 To link to this article: http://dx.doi.org/10.1080/00396330902749772}

In recent years, what was largely a bilateral rivalry between Iran and the United States has become displaced and expanded throughout the region: Palestine, Syria, Lebanon, Iraq and the Gulf states have all been affected by the growing tension, and there are signs that Iranian influence is becoming
stronger in these areas. Iran’s more active and effective diplomacy in the Middle East is due to the conjunction of three separate trends, all of which are reversible. The first is the emergence of a permissive regional environment, hospitable to Iran’s diplomacy; the second, the ascension of an ideological and hard-line conservative government in Tehran, predisposed to a more activist diplomacy; and third, the oil windfall, which freed resources for seeding movements and clients supportive of Iranian goals. However, the influence that has accrued to Iran as a result of these trends is transitory and precarious, and there are constraints on Iran becoming a regional superpower.\(^\text{14}\)

Nowadays, a problem coming from the new President of U.S. Barrack Obama, whereas the Israel as the best partner of US forced U.S. to make red line for the Iran as the limitations for the nuclear proliferation. Until now, the U.S. still doubt with Iran concerning to the Iran’s nuclear power. Whereas Iran already told that they just want to make the nuclear just for the peace, not for the nuclear-armed for a war. Bad impacts come to Iran one by one because of this nuclear program. International sanction that is embargo oil by Western is the one of impacts that become the biggest which could influence Iran economic development. Iran is the fourth largest oil exporter in the world and second in OPEC.\(^\text{15}\) The West ramped up pressure on Iran by threatening sanctions against Iran's oil commodities after imposing sanctions on the banking system.

\(^{14}\) Ibid

\(^{15}\) [http://www.businessweek.com/ap/2012-07-01/iran-we-will-confront-new-eu-sanctions](http://www.businessweek.com/ap/2012-07-01/iran-we-will-confront-new-eu-sanctions)
The main purpose of the sanctions against the oil and gas sector of a country is to limit state revenue and perhaps in the later stages, disable it altogether. Sanctions against Iran's oil and gas revenues that have the greatest percentage of the total state income are considered by the West to stop or slow down Iran's nuclear program. Iran national biggest income largest is comes from the oil, so that’s why the U.S. and allies imposed oil embargo with the hope that Iran economic development will be crippled and the effect on nuclear development program and it will effect on Iran’s nuclear development program.

Various economic warfare waged America and its allies since 1980 until today, and 32 years of living in embargo does not make Iran weak. Similarly, for 32 years the threat of war did not make the Iranians afraid. So that’s why, Iran is known as the land with a million of embargoes. On July 26, 2010, the European Union passed sanctions to restrict the investment activities of oil and gas in an effort to limit Iran's natural gas production, following the sanctions that have been set by the United State. From year to year the sanctions imposed on Iran’s continues until this year EU announced that ceremonially imposed oil embargo to Iran in which this embargo supported and followed by U.S.

Since 2010, the United States and its international partners have ratcheted up sanctions as reports surfaced of the country's progress on potential nuclear weapons capability, although the regime regularly denies

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16 Ibid
such a goal. An International Atomic Energy Agency report in November 2011 issued the agency's strongest indications to date that Iran is seeking a nuclear weapon. In response, the United States imposed new economic sanction called oil embargo, tightening the screws on Iran's petrochemical and oil and gas sectors. The United States also designated Iran's entire financial sector, including its central bank, as a "primary money laundering concern" under the Patriot Act and could strengthen existing sanctions in the late summer of 2012. Meanwhile, the EU also has imposed sanctions on oil purchases from Iran, with all contracts terminating on July 1, 2012.\footnote{http://www.cfr.org/iran/lengthening-list-iran-sanctions/p20258?cid=ppc-Google-iran_sanctions_backgrounder&gclid=CJns_bqlsbQCFcQe6wodD0AAqQ}

There are so many sanctions which imposed to Iran because of the nuclear proliferation, so that’s why this issue is becoming interesting for being a research. Start from 2010 until 2012 is becoming chooses because in that period, this issue more attacks the attention of the whole country in the world, here in this case especially for Western and allies. Iran is the number four of biggest oil producer country for many countries in the world; Iran’s economic revenue is depends on oil export to the world. Oil contributes almost 80 percent of Iran’s income, so if the embargo oil impose to Iran automatically the oil export will be reduce and it will effect to the economic growth of Iran, so we can imagine what will happen to the economic condition of the many countries if economic crisis come up because of the nuclear crisis, where the oil price increase because of oil embargo as the international sanction for Iran related to Iran’s nuclear development program.
<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Oil - production (bbl/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Saudi Arabia</td>
<td>10,520,000</td>
</tr>
<tr>
<td>2</td>
<td>Russia</td>
<td>10,270,000</td>
</tr>
<tr>
<td>3</td>
<td>United States</td>
<td>9,688,000</td>
</tr>
<tr>
<td>4</td>
<td>Iran</td>
<td>4,252,000</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>4,073,000</td>
</tr>
<tr>
<td>6</td>
<td>Canada</td>
<td>3,483,000</td>
</tr>
<tr>
<td>7</td>
<td>Mexico</td>
<td>2,983,000</td>
</tr>
<tr>
<td>8</td>
<td>United Arab Emirates</td>
<td>2,813,000</td>
</tr>
<tr>
<td>9</td>
<td>Iraq</td>
<td>2,642,000</td>
</tr>
<tr>
<td>10</td>
<td>Nigeria</td>
<td>2,458,000</td>
</tr>
</tbody>
</table>

Source: CIA World Factbook - Unless otherwise noted, information in this page is accurate as of January 1, 2012

**Definition:** This entry is the total oil produced in barrels per day (bbl/day). The discrepancy between the amount of oil produced and/or imported and the amount consumed and/or exported is due to the omission of stock changes, refinery gains, and other complicating factors.

In referring to the background, then in writing this thesis the researcher choose the title “The Economic Revenue of Iran in the Post Nuclear Development Program: the case of U.S. Oil Embargo (2010-2012)”
I. 2. Problem Identification

Since Iran developing their nuclear program, relations between Iran and countries in the world was changing, in this case U.S. becomes country which researchers choose to be an object for research, because U.S. is the biggest country which has a power where could influence the conditions in the world. The U.S. and allies have to impose economic sanctions against Iran regarding the nuclear development program. Since 1980s, after about 32 years the bilateral relations between Iran and U.S. in bad condition, the interesting thing for looking that what will happening in the second years of Barrack Obama’s administration. Short written will be answer the two basic questions, which are; first, how Barrack Obama built up the relations between Iran and the U.S. post Iran announced to continue their nuclear development program? Second, what are the obstacles that will becomes backstop for the betterment of Iran economic revenue post the international sanctions especially oil embargo?¹⁸

The United States and Iran has bilateral relations in many aspects, economic aspect is the one of bilateral relations between Iran and U.S. has. Economic aspect becomes a choice because Iran has a big role in supply oil for many countries, and the major U.S. oil supplies from the Middle East. In 2010, Iran was the world’s fourth largest producer and Iran is OPEC’s second largest oil producer in the world.

In this case the researcher has identified problem that may arise, which is:

- How is the Economic Revenue of Iran in the Post Nuclear Development Program, the case of U.S. Oil Embargo (2010-2012)?

### I. 3. Statements of the Problem

**Topic:** This research is about “The Economic Revenue of Iran Post Nuclear Development Program: the case of U.S. Oil Embargo (2010-2012)”

**Question:** How is the Economic Revenue of Iran Post Nuclear Development Program, the case of U.S. Oil Embargo (2010-2012)?

### I. 4. Research Methodology

This research will require the qualitative methods. The sources will be obtained through literature study, books, journals, newspapers, state documents, and internet. Besides, interviewing the people that deals with the problem everyday or the expert will be needed in order to answering the research question and accomplishing the research. The research methodology that this thesis will use is the descriptive methodology in the timely order.

This research has aim to analyze the economic development of Iran Post Nuclear Proliferation; in the case of U.S. Oil Embargo (2010-2012). This research is carrying out at economic development of Iran since they announced about their nuclear proliferation to the world through IAEA in
conference. It is also focusing on how the oil embargo which the U.S. imposed effects to the Iran economic revenue.

I. 5. Significance of Study

This research has two points of study which hopefully can give contributions and benefits to society and also to the academic community as an information or literature. The two points of study will also help the researcher to explain easier and clearly to the reader. The first point is Iran nuclear development program in 2010, where the development of the nuclear for peace is still running. Although there are so many obstacle come to Iran regarding to their nuclear development, they are still running and not afraid with whatever the sanctions that the Western imposed for stopping their nuclear program.

The second point is the impacts of Iran nuclear development program for their economic revenue related to the oil embargo that established by the U.S. Between the two countries Iran and the U.S. affected in bilateral relation in economic aspect of the both until Iran imposed international sanction and oil embargo by the West. Since Iran announced that there will be nuclear development program in their country, The United State and the alliance are more carefully because they think that it will be threatening to their country and the world.
This research will specifically find out how the conditions of economic revenue of Iran post nuclear development program specifically in the case of U.S. oil embargo for Iran.

I. 6. Theoretical Framework

The chart above refers to the whole point of view that will be researcher explains to make this research guided, easier, and clearly. The definition of International Relations itself becomes the beginning of this research for helps further discussed about the whole point of research, then start to discussed about the bilateral relations between both Iran and U.S.

International Relations (IR) (occasionally referred to as International Studies (IS), although the two terms are not perfectly synonymous) is the
study of relationships between countries, including the roles of states, inter-
governmental organizations (IGO’s), international nongovernmental organizations (INGO’s), non-governmental organizations (NGO’s) and multinational corporations (MNCs). It is both academic and public policy field, and can be either positive or normative as it both seeks to analyze as well as formulate the foreign policy of particular states. It is often considered a branch of political science (especially after 1988 UNESCO nomenclature), but an important sector of academia prefer to treat it as an interdisciplinary field of study. Aspects of international relations have been studied for thousands of years, since the time of Thucydides, but IR became a separate and definable discipline in the early 20th century.19

International Relations cannot be separate from what we call bilateral and multilateral relations. Bilateral relations is consists of the political, economic, or cultural relations between two sovereign states, whereas multilateral relation is relationship which involve more than two nations.

In this research, bilateral relations whom Iran and The United States did are in many aspects, such as politic, economic, and security. This research aims to specifically find out the bilateral relations in economic aspect between the both countries.

Relations between the two nations began in the mid-to-late nineteenth century. There are currently no diplomatic relations between Iran and the

19 www.thefreedictionary.com/international+relations
United States. Due to poor relations between the two countries, instead of exchanging ambassadors Iran maintains an interests section at the Pakistani embassy in Washington, D.C.,\textsuperscript{20} while the United States has maintained an interests section at the Swiss embassy in Tehran. Opinions differ over what has caused the decades of poor relations. Iranian explanations include everything from the natural and unavoidable conflict between the Islamic Revolution on the one hand, and perceived American arrogance and desire for global hegemony on the other. Other explanations include the Iranian government’s need for an external bogeyman to furnish a pretext for domestic repression against pro-democratic forces and to bind the government to its loyal constituency.\textsuperscript{21}

Since 1995, the United States has had an embargo on trade with Iran.\textsuperscript{22} Oil embargo on Iran becomes the one of strongest international sanction for Iran to stop the development of nuclear. There is no authoritative definition in international relations of sanction. One commonly used definition is the “deliberate, government-inspired withdrawal or threat of withdrawal of customary trade or financial relations”.\textsuperscript{23}

Economic sanctions are the most contentious types. Economic sanctions may compromise a wide range of measures such as a selective or comprehensive ban on trade, a prohibition on some or all capital and service

\textsuperscript{20} www.state.gov › ... › Background Notes/Country Fact Sheets
\textsuperscript{21} Ibid
\textsuperscript{22} Ibid
\textsuperscript{23} (Hufbauer, et al. 2007, p. 3; cited under Efficacy of Economic Sanctions)
transactions with the government or nationals of the offending country, an interdiction of transport and communication, and a freezing of assets.²⁴

Impose the international sanction on country is always related to foreign policy of the country. The relations that every country has are appropriate with the foreign policy that country’s have. Foreign policy is the diplomatic policy of a nation in its interactions with other nations. Iran and the United State have their own economic foreign policy which manages the stability of economic development in their nation and as the basic of bilateral relations with other nations, so that in this case Iran and the U.S. has own policy and strategy in maintain the stability of each nation. The U.S. imposed international sanctions to Iran is the one of their own strategy in maintain their nation stabilization but certainty that’s depend on considerations.

Iran economic development largest come from the oil because that’s the first national income. Since Iran announced their nuclear proliferation, international sanctions from many countries comes up and try to stop that program. The Western especially the U.S. analyzed that if the international sanctions impose to Iran, it will influence the economic condition of Iran and automatically it will give the impact for the nuclear development program.

In January 2011, Secretary of State Clinton claimed that sanctions have accomplished a core objective of slowing Iran’s nuclear program. However, nuclear talks in December 2010 and in January 2011 made virtually

²⁴ http://www.casi.org.uk/info/kondoch01.pdf The Limits of Economic Sanctions under International Law: The Case of Iraq, Boris Kondoch
no progress. There has been little evidence since that Iran’s leaders feel sufficiently pressured by sanctions to offer major concessions to revive talks or obtain a nuclear deal.\textsuperscript{25}

Because so many major economic powers have imposed sanctions on Iran, the sanctions are, by all accounts, having a growing effect on Iran’s economy. The sanctions are reinforcing the effects of Iran’s economic mismanagement and key bottlenecks.\textsuperscript{26}

I. 7. Scope and Limitation of the Study

In this research, analysis unit focus on state which are the government of United States under Barrack Obama’s reign and President of Iran, Mahmoud Ahmadinejad as the main actor that determine the economic foreign policy as the background of economic relations between the U.S. and Iran. The time framework will be 2010 because of in this time that U.S. led by Barrack Obama announced to support the EU for imposed oil embargo to Iran and until 2012 because for the next year, there will be general election for the new president for the U.S. Then, in his reign, he is starting to make and try a new way for negotiated with Iran related to Iran nuclear development program.

\textsuperscript{25} Iran Sanctions. Kenneth Katzman, Specialist in Middle Eastern Affairs, April 4, 2011
\textsuperscript{26} Ibid
I. 8. Structure of the Research

This research consist of 5 chapter with the outline can be seen in the diagram below. It starts from the introduction then supported by the explanation of International Relations followed by the current situation of Iran nuclear proliferation since Iran led by Mahmoud Ahmadinejad and the United States led by Barrack Obama, the fourth chapter will be analysis of the economic revenue of Iran post nuclear development program which in the case of oil embargo by the U.S. and the last is the conclusion.

1. Introduction
2. Iran Foreign Policy
   2.1 Iran and US Relations Post Nuclear Proliferation
   2.2 Development of Iran’s Nuclear Crisis
   2.3 Iran Strategy in Maintain Economic Condition
3. US Foreign Policy
   3.1 US Diplomatic Efforts on Iran Nuclear Crisis
   3.2 Strategy Diplomacy of US against Iran’s Nuclear
   3.3 Oil Embargo on Iran as an US Economic Sanction
4. Economic Development of Iran: Oil Embargo by US
   4.1 History of Oil Embargo on Iran
   4.2 Iran Oil Exports During The Embargo Imposed
   4.3 Economic Development of Iran
5. Conclusion
Chapter I: Introduction

In this chapter, the researcher provides to the reader brief background of the Iran nuclear proliferation and how the condition of Iran and the United States related to the economic bilateral relations that Iran and U.S. did, specifically in the case of economic development of Iran post oil embargo. It supported by research question, research objectives, scope and limitation of the research and the last, structure of the research to easier the reader to know the outline of the whole research.

Chapter II: Iran Foreign Policy

Chapter two will be explain about the Iran foreign policy and is associated with the Iran and U.S. relations and until when the development of Iran nuclear crisis and the condition of Iran economic development post oil embargo by U.S.

Chapter III: U.S. Foreign Policy

Chapter three will be explain about what are the U.S. Diplomatic Efforts on Iran Nuclear Crisis, Strategy Diplomacy of U.S. against, and also explain about the economic sanction which US giving to Iran related to the Iran’s nuclear proliferation.

Chapter IV: Economic Development of Iran: Oil Embargo by U.S.

Chapter four will be the core of this research. It will examine about the history of why the U.S. imposed the economic sanctions that is oil embargo on Iran, and then analyze about the situation of Iran oil exports during the embargo imposed and how those sanction effect the economic development of Iran.

Chapter V: Conclusion

It is the final part of the research report on the resume analysis data that has been presented in the previous section.
CHAPTER II
IRAN FOREIGN POLICY

II. 1. Iran and U.S. Relations Post Nuclear Development Program

In the early government of Hashemi Rafsanjani with the moderate style, Iran and the U.S. diplomatic relations began improve. But toward the end of his term in 1997, the relationship was getting annoyed by the issue of Iran nuclear development. 27

In 1997, Mohammad Khatami was sworn in as Iran President for replace Rafsanjani. During Khatami administration, Iran’s foreign policy entered a new phase with more emphasis on reconciliation than confrontation. Khatami success to expand Iran’s diplomatic relations with the new states and improve the relations with the Western countries, including the United States. In the evening a state banquet on April 12, 1999, Bill Clinton spontaneously expressed his views on U.S. foreign policy and Western countries in the past. 28

“Iran . . . has been the subject of quite a lot of abuse from various Western nations. And I think sometimes it’s quite important to tell people, look, you have a right to be angry at something my country or my culture or others that are generally allied with us today did to you 50 or 60 or 100 or 150 years ago.” 29

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28 Ibid
29 Ibid
During this time, a statement of regret from the U.S. government's official issuance of the policy is a rare occurrence. President Clinton's statement was reflection regret over U.S. foreign policy towards Iran in 1953. When the U.S. and Britain had a role in the effort to overthrow Prime Minister Mohammad Mosaddeq with support protests anti-Mosaddeq. The event is growing antipathy among the people of Iran against the United States.

The relations of the U.S. and Iran in 2000 entered a new phase. U.S. foreign policy toward Iran at the beginning of the reign George W. Bush in 2000-2004 still shows intent U.S. government to dialogue with Iran. Before tragedy September 11, 2001, Secretary of State Colin Powell said in a hearing with the congress:

“Iranians are not our enemies . . . to the extent that we can nuance our policy in that regard, I think it serves our interests and the interests of the region.”

Even after the tragedy of 9/11 and the completion of the Iraq war that ended with the U.S. occupation forces in Iraq, the Bush administration is still faith to continue collective efforts in solving Iran's nuclear crisis. U.S. judge Iran can plays a very significant role in creating the Iraqi government stable and pluralistic. In addition, Iran is one of the key factors in maintaining and safeguarding the stability of the Middle East region.

32 Ibid, page. 2.
But after the publication of the U.S. National Security Strategy 2002, the U.S. changing the direction of its foreign policy by linking Iran, Iraq, and North Korea as the *axis of evil*. The U.S. attitudes toward the program Iran’s nuclear development are based on several factors:

1. The U.S. considers that its uranium enrichment program is a dual-use technologies; can be used for peaceful purposes or nuclear weapons programs, such as India's nuclear case with the decade of the 60's. If Iran is able to develop nuclear weapons, the geopolitical conditions in the Middle East will change drastically. This condition will encourage other countries in the Middle East for participate in the development of nuclear weapons.

2. So far, the U.S. has accused Iran of having links with several organizations international terrorism, Islamic militants (Hamas and Islamic Jihad), as well as Shi'a insurgents in Iraq, such as Moqtada Al Sadr army His Mahdi. An indication of a link between the Moqtada Al Sadr to Iran also presented by Smith Al Hadar.33 If Iran allowed dominating nuclear weapons, it is feared the technology would also be distributed to groups.34

34 See John R Bolton, “Preventing Iran from Acquiring Nuclear Weapon”, op. cit.
3. The U.S. believes that the huge oil reserve, Iran does not need nuclear reactors to meet its electricity needs. Moreover, in terms of economic, nuclear reactors require a larger investment than oil-fired power plants.35

4. The attitude of the leader of Iran's hard-line which in some formal forum does not recognize the existence of the state of Israel and threatened to destroy Israel.36

Basically, relations between the U.S. and Iran are better since Obama led as the president of the United State. On March 6, 2009, Obama offered a new beginning for both Iran and U.S. relations. In the short speech, Obama stated that will endeavor to communicate with the leaders of Iran and then the Iranians for change and make better bilateral relations. This thing clearly surprised the world, especially Iran itself which till 30 years of economic embargo by the superpower.

Follow Obama’s offered, President of Iran Ahmadinejad states that ready to discuss with the U.S. Ahmadinejad stated about that in commemoration of the 30th Iranian Islamic Revolution speech on February 12, 2009 in Tehran. Then, Iran Foreign Ministry Manoucher Motakki affirmation those conviction which states that need a fair dialogue between both the two countries.37 Efforts which the U.S. did for make better bilateral relations with Iran always there are struggles where come from many factors. Worsened in January 2012 as Iran sentenced a captive American citizen to

37 Prospect Bilateral Relations Iran-AS Change We don’t believe in INTERDISCIPLINARY.htm
death and verified it was enriching uranium. Meanwhile, Iranian leader Mahmoud Ahmadinejad visited American antagonists Venezuela and Cuba.\(^{38}\)

January's events came against a backdrop of American-led sanctions by western nations against Iran, whom they suspect of proceeding with a nuclear weapons program. The sanctions apparently began taking their toll, cutting Iran's vital oil revenues. As such, Iran's actions were perhaps reaction to the pressure.

On January 9, Iran announced that it had convicted Iranian-American Amir Mirzaei Hekmati of espionage and sentenced him to death. The 28-year-old, Arizona-born former Marine, was captured in August 2011 when he went to Iran to visit his grandparents. Iran claimed that Hekmati was a C.I.A. agent that the United States sent to spy on Iran. The U.S. denies the charge.\(^{39}\)

**II. 2. Development of Iran’s Nuclear Program**

In the online article "Iran's Nuclear Program" section of the site Council on Foreign Relation (CFR) obtained information about the development of the Iranian nuclear crisis. Iran's leaders have worked to pursue nuclear energy technology since the 1950s, spurred by the launch of U.S. President Dwight D. Eisenhower's Atoms for Peace program. It made steady progress, with Western help, through the early 1970s. But concern over Iranian intentions followed by the upheaval of the Islamic Revolution in 1979 effectively ended outside assistance. Iran was known to be reviving its

\(^{38}\) [http://usforeignpolicy.about.com/od/alliseneemies/a/January-2012-Sees-Worsening-U-S-Iranian-Relations.htm](http://usforeignpolicy.about.com/od/alliseneemies/a/January-2012-Sees-Worsening-U-S-Iranian-Relations.htm)

\(^{39}\) Ibid
civilian nuclear programs during the 1990s, but revelations in 2002 and 2003 of clandestine research into fuel enrichment and conversion raised international concern that Iran's ambitions had metastasized beyond peaceful intent.  

Iran has consistently denied allegations it seeks to develop a bomb. Yet many in the international community remain skeptical. Despite a U.S. intelligence finding in November 2007 that concluded Iran halted its nuclear weapons program in 2003, the Bush administration warned that Iran sought to weaponries its nuclear program, concerns the Obama administration shares. Nonproliferation experts note Iran's ability to produce enriched uranium continues to progress but disagree on how close Iran is to mastering capabilities to weaponries.  

The September 2009 revelation of a second uranium enrichment facility near the holy city of Qom, constructed under the radar of international inspectors, deepened suspicion surrounding Iran's nuclear ambitions. The West's fears were confirmed in mid-February 2010 when the IAEA released a report that detailed Iran's potential for producing a nuclear weapon, including further fuel enrichment and plans for developing a missile-ready warhead.

The development of Iran's nuclear program towards weapons capability is influenced by three factors. First, the domestic resistance from opponents of nuclear weapons, especially by the reformers. Second, the 

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40 http://www.cfr.org/iran/irans-nuclear-program/p16811
41 Ibid
42 Ibid
international pressure on countries that had helped Iran's nuclear program such as Russia, Pakistan, China, and North Korea. Third, support from Islamic countries to pressure Iran for a nuclear free zone in the Middle East.

In June 2010, the UN Security Council approved another set of sanctions under UNSCR 1929, primarily aimed at Iran's nuclear-related investments; three affiliates of the state-owned shipping company the Islamic Republic of Iran Shipping Lines (IRISL), which had already been targeted by unilateral U.S. and EU sanctions; and the Iranian Revolutionary Guard Corps. In 2011, the U.S. increased pressure on the IRISL, and several companies and individuals were indicted on charges of aiding the IRISL in conducting fraudulent transactions through nine major banks located in New York. In October 2011, the U.S. sanctioned a ring of six front companies in Panama which allegedly took over control of some IRISL vessels after the June 2011 indictment.

In a letter dated 19 February 2010, Iran informed the IAEA that it was still seeking to purchase the required fuel for the TRR on the international market and would be willing to exchange LEU for fuel assemblies "simultaneously or in one package inside the territory of Iran." Iran requested that the IAEA convey this message to the P5+1 but the sides were not able to

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44 The People of the State of New York v. Islamic Republic of Iran Shipping Lines, Supreme Court, New York County, 20 June 2011, indictment 11-02924.
restart negotiations.\textsuperscript{46} The breakdown of talks was followed by a new nuclear fuel swap proposal brokered by Brazil and Turkey. On 17 May 2010, Brazil, Turkey and Iran issued a joint statement in which Iran agreed to export half of its LEU stock (1,200kg) to Turkey as a confidence-building measure, in return for 120kg of 20\% enriched uranium for use in its medical research reactor.\textsuperscript{47} The deal, however, was not accepted by Western countries, who saw Iran's agreement to the removal of only 1,200kg of LEU from its territory as too little, too late.

In October 2010, the P5+1 extended another invitation to Iran to discuss its nuclear program, but did not accept Iran's request for Turkey or Brazil to attend.\textsuperscript{48} Talks resumed on 6 December 2010 in Geneva, during which the P5+1 requested assurances that the Iranian nuclear program remained peaceful and Iran requested that international sanctions be lifted.\textsuperscript{49} Diplomats convened for the next round of talks in Istanbul, Turkey in late January 2011. The talks broke down due to Iran's insistence on the lifting of all economic sanctions as a precondition for substantive discussions on its nuclear program.\textsuperscript{50}

On 13 July 2011, Russian foreign minister Sergey Lavrov proposed a phased approach to addressing the nuclear dispute with Iran. Under the

\textsuperscript{46} How Sanctions Affect Iran's Economy, Interviewee: Dr. Hassan Hakimian, Director, London Middle East Institute, Interviewer: \textit{Toni Johnson}, Deputy Editor On May 23, 2012
\textsuperscript{47} Ibid
\textsuperscript{48} Peter Crail, "Brazil, Turkey Broker Fuel Swap with Iran," \textit{Arms Control Today}, June 2010
\textsuperscript{50} "World Powers Propose Nuclear Talks with Iran in November," \textit{Politico}, International Institute for Strategic Studies, 14 October 2010.
Russian proposal, Iran's cooperation with the IAEA would be met with reciprocal steps from the P5+1.\footnote{Karim Sadjadpour, “Examining the P5+1 Iran Talks in Context,” Middle East Progress, Carnegie Endowment for International Peace, 6 December 2010.}

According to Iranian former chief nuclear negotiator Hossein Mousavian, the proposal envisioned five stages, with Iran limiting its enrichment activities to one site; capping enrichment levels at 5% U-235; implementing modified Code 3.1 of the Subsidiary Arrangements that provides for early provision of design information; ratifying the Additional Protocol to its safeguards agreement; and finally, suspending enrichment for three months. In response, at each stage the P5+1 would gradually lift sanctions imposed unilaterally and through the UN Security Council.\footnote{Steven Erlanger, “Talks on Iran's Nuclear Program End with no Progress,” The New York Times, 23 January 2011.} Iran initially welcomed the Russian plan, but the United States, the United Kingdom and France did not accept the idea of lifting sanctions at an early stage.\footnote{Russia Proposes "Phased" Resolution of Iran Nuclear Standoff, Global Security Newswire, 14 July 2011.} Formal discussions on the basis of the proposal never took place.

On 8 November 2011, the IAEA released a highly anticipated safeguards report on Iran.\footnote{Masakatsu Ota, “U.S. Missed Chance to Resolve Iran Nuclear Issue: ex-Iran Negotiator,” Kyodo News, 8 February 2012, http://english.kyodonews.jp.} In an annex to the report, the Agency presented a lengthy, detailed account of "possible military dimensions" to Iran's nuclear program. Most of the information in the annex had been known previously, but the November 2011 report was the first time that the IAEA assembled available evidence into one overview document. According to the report, Iran
has engaged in a range of activities "relevant to the development of a nuclear explosive device." These included efforts to "procure nuclear related and dual-use equipment and materials by military-related individuals and entities;" to develop "undeclared pathways for the production of nuclear material;" to acquire "nuclear weapons development information and documentation," presumably from the A.Q. Khan network; and to "work on the development of an indigenous design of a nuclear weapon including the testing of components."

The report further stated that prior to the end of 2003 those activities took place under a "structured program," and that there are indications that "some activities relevant to the development of a nuclear explosive device continued after 2003, and that some may still be ongoing." The IAEA report led to the adoption of a new resolution by the Board of Governors that expressed "deep and increasing concern" about the unresolved issues and urged Iran to fully comply with its obligations.

After the November 2011 IAEA report, and given that Russia and China both opposed a new UN Security Council resolution and new sanctions, the United States and the European Union launched a series of unprecedented measures unilaterally. For the first time, the United States

55 Steve Guttermann and Lidya Kelly, "Russia Hopes Its Proposal Can Revive Iran Nuclear Talk,"
designated the Government of Iran and all financial institutions in the country as entities of money laundering concern, warning financial institutions around the world that doing business with Iranian banks entailed significant risks.  

In December 2011, the U.S. Congress enacted the Menendez-Kirk amendment, requiring the President to sanction the Central Bank of Iran, as well as foreign financial institutions, including central banks, for processing transactions related to oil and petroleum products on behalf of Iranian companies and the Iranian government. The measures enter into force in the summer of 2012.

On 23 January 2012, the European Union moved to freeze all assets of the Central Bank of Iran which is Bank Tejarat, the last major Iranian bank financing large-volume trade in Europe, and agreed on a phase-out of Iranian oil imports by 1 July 2012.  

On 5 February, the United States ordered the freezing of all property of the Government of Iran, including its Central Bank. By March 2012, reports had surfaced of draft legislation in the U.S. Congress that would sanction all Iranian financial institutions, as well as foreign financial

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61 Josh Rogin, “Iran sanctions amendment emerges from conference largely intact,” The Cable, 13 December 2011.
institutions and central banks engaged in non-oil transactions with Iran. In June 2012 the Obama administration granted waivers to a number of countries, exempting them from financial sanctions because they have significantly reduced their purchases of Iranian oil. These countries include: Turkey, South Korea, Sri Lanka, South Africa, Taiwan, India, and Malaysia.

In late January 2012, an IAEA team headed by the Deputy Director General for Safeguards Herman Nackaerts visited Iran to discuss ways to resolve outstanding issues. A follow-on visit took place in late February 2012, but the two sides were unable to agree on a plan, and the IAEA expressed its disappointment in the meeting due to Iran's refusal to grant access to the Parchin military complex.

However, on 6 March 2012, Iran announced that it would allow IAEA inspectors to visit Parchin. The same day, the EU foreign policy chief, Catherine Ashton, speaking for the Western powers, announced that she had "offered to resume talks with Iran on the nuclear issue."

On 14 April, 2012, Iran and the P5+1 countries met in Istanbul to re-open discussions about Iran's nuclear program. The talks lasted two days and were described as constructive, with the two sides reportedly refraining from confrontational rhetoric, and agreeing to hold another round of talks in May.

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62 “EU Iran sanctions: Ministers adopt Iran oil imports ban,” BBC, 23 January 2012.
64 Josh Rogin, "Congress prepares to go after all Iranian banks," The Cable, 6 March 2011.
65 “U.S. to exempt India, South Korea from Sanctions over Iran: Congress aides,” Reuters, 11 June 2012.
66 “U.N Nuclear Watchdog Can't Break Impasse with Iran,” Global Security Newswire, 22 February 2012.
2012 in Baghdad. On 23 May 2012, the second round of new P5+1 talks with Iran was held in the "Green Zone" of Baghdad, Iraq. In an attempt to build on the momentum from the Istanbul talks, both sides went to Baghdad with specific proposals on key issues. The P5+1 requested that Iran stop uranium enrichment up to 20% U-235, ship out all of the 20% enriched uranium already produced, and close the Fordow Fuel Enrichment Plant. In return, the P5+1 were reportedly prepared to discuss the provision of medical isotopes, cooperation in nuclear safety, and supply of parts for Iran's civil aviation. They also "offered to refrain from imposing further United Nations sanctions against Iran." For its part, Iran signaled a willingness to halt the 20% enrichment if the move were met with lifting of some of the current sanctions, such as those imposed against its oil industry and central bank.

The P5+1 position, however, is that an end to 20% uranium enrichment and greater transparency must precede the lifting of any sanctions currently in place, rather than happening simultaneously. Iran has insisted that its "inalienable right" to enrich uranium be recognized by the P5+1. Media reported that Iran's five-point proposal included non-nuclear issues, such as regional security, but no further details were publicly available. The sides

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67 Parisa Hafezi and Fredrik Dahl, “Iran to allow IAEA visit Parchin military site: ISNA,” Reuters, 6 March 2012.
were once again unable to agree on substantive actions and decided to convene again in Moscow in June 2012.\footnote{Ali Akbar Dareini and Lara Jakes, "Baghdad Nuclear Talks: Crucial Negotiations on Iranian Nuclear Program Take Off," \textit{Huffington Post}, 23 May 2012.}

The latest round of negotiations took place in Moscow, Russia, from 18-19 June 2012. The two sides did not change their positions, but more details on Iran's proposal were reported. The five-point proposal included the recognition of Iran's right to enrich uranium along with the "operationalization' of the Supreme Leader's fatwa against nuclear weapons"; sanctions relief in return for Iran's cooperation with the IAEA; cooperation in nuclear energy and safety; a possible cap on 20% enrichment; and several non-nuclear issues.\footnote{Paul Richter, "Hope Fades for Quick Progress in Iran Nuclear Talks." \textit{Los Angeles Times}, 24 May 2012.} With no agreement achieved, the high-level talks were suspended. Instead, it was decided that "technical experts" will meet in July in Istanbul, Turkey.\footnote{Muhammad Sahimi, "Iran and 'Divided' P5+1 Exchange Proposals to End Nuclear Standoff," \textit{Frontline, Tehran Bureau}, 24 May 2012.} That meeting will be followed by "contacts" between deputy chief negotiators from Iran and the EU, after which Tehran's top nuclear negotiator Jalili and EU foreign policy chief Lady Ashton will decide whether to continue the high-level negotiations.\footnote{Julian Borger, "Progress 'in Moscow: Iran Says No with a PowerPoint," \textit{The Guardian}, 18 June 2012.}

The IAEA has been routinely confirming the non-diversion of declared nuclear material in Iran. However, the Agency has also continually requested clarification of a number of outstanding issues related to possible nuclear weaponization activities in Iran. The IAEA stated that the intelligence it has received over the past several years raised concerns about the
possibility of current and previous experiments pertaining to the construction of a nuclear warhead for a missile. Iran has maintained that the intelligence documents provided to the IAEA are forgeries and has refused to discuss the allegations with the IAEA. The IAEA has called upon Iran to provide additional data regarding design information of new and existing facilities, including a planned new power reactor in Darkhovin, but Tehran has refused to provide this information.

Despite seven UN Security Council Resolutions (UNSC) condemning its actions and six rounds of sanctions, Iran continues to enrich uranium at the Natanz facility and has begun enrichment at the Fordow Fuel Enrichment Plant (FFEP). In the latest Design Information Questionnaire (DIQ) on the FFEP, submitted in January 2012, Iran informed the IAEA that the FFEP's purpose is the production of UF6 enriched up to 20% U-235 and up to 5% U-235.

Iran had previously indicated that it intended to conduct enrichment only up to 5% U-235 at the Fordow facility. Iran started uranium enrichment at the FFEP on 25 January 2012. According to the IAEA Director General’s report submitted to the Board on 25 May 2012, Iran has

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accumulated an estimated 6,197 kg of LEU enriched up to 5%. According to the IAEA, as of May 2012 Iran had also produced about 110.1 kg of UF6 enriched up to 20% U-235 at the Natanz PFEP and another estimated 35.5 kg of up to 20% enriched material at the FFEP.

The IAEA has collected and analyzed environmental samples at the FFEP, and reported that samples taken on 15 February 2012 showed the presence of particles with enrichment levels up to 27% U-235, higher than the maximum declared level of 20%. Iran asserted that such anomalies were unintended and occurred for technical reasons beyond the operator's control. The IAEA reported that it was examining this explanation. The Agency has also been requesting additional information on the design and initial purpose of the FFEP.

Progress also continues at the Bushehr power reactor; Iran and Russia finished loading fuel into the reactor in November 2010, but had to remove it in February 2011 due to a broken pump that caused small metal particles to infiltrate the reactor's cooling system. It was feared that the particles had made it to the fuel assemblies. The fuel was reloaded into the reactor in

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April 2011, and in May 2011 the Bushehr plant began operating at low levels. On 11 February 2012, the plant was connected to the national grid, generating 700 megawatts of electricity and becoming the first operational nuclear power plant in the Middle East. Iranian Atomic Energy Organization chief Fereydoun Abbasi-Davani announced that the plant would operate at full capacity starting in late March 2012, but as of June 2012 Russia's Atomexport, which built the plant, was "awaiting permission" from Iran to launch full capacity operations.

From year to year, Iran's nuclear development have ups and downs because of the many factors which the occurrence of it. Recorded the timeline of what are the obstacles comes to Iran related to the nuclear program development from the [http://hankam.kompasiana.com/2012/04/24/konflik-amerika-vs-iran/](http://hankam.kompasiana.com/2012/04/24/konflik-amerika-vs-iran/) which are:

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 12, 2010</td>
<td>Masoud Ali Mohammadi</td>
<td>Killed by motorcycle bomb exploded near his car</td>
</tr>
<tr>
<td>November 29, 2010</td>
<td>Majid Shahriari</td>
<td>Killed by a bomb attack that is placed on a motorcycle near his car</td>
</tr>
</tbody>
</table>

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November 2010 | Fereidoun Abbasi (the head of Iran's atomic agency) | Attacked with bombs, only wounded
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November 12, 2011 | Gen. Hassan Moghaddam Therani (Head of Iran's missile research program) | Hasan and 17 employees were killed in the attack on the manufacture of ballistic missile installations in Bidganeh
January 11, 2012 | Mostafa Ahmadi Roshan (Director of the Natanz uranium enrichment facility) | Killed by a bomb attached to a car by two motorcyclists

Table 1.1 Some Attacks on Iran the Intended to Pursue Nuclear Program Iran

II. 3. Iran Strategies in Maintain Economic Revenues

Iran's economy is facing a lot of challenges, and these challenges have been accentuated by the sanctions. The main challenges are (and have been for a while) unemployment, especially amongst youth, and inflation, which is likely to get worse partially because of the depreciation of Iranian currency and partly because of the abolition of the subsidies scheme, which the government put in place about a year ago.

These included some sixteen essential items, including energy and bread and sugar. That's now in place since December 2010, and the Iran’s government is already talking about a second phase where they hope to
improve the targeting of the so-called "price correction." The abolition of subsidies was combined with a cash-income transfer to compensate for the rising prices. And in the first phase, the targeting was quite widespread—something like 70 percent.

Iran’s government has been talking about reducing the coverage and possibly improving the terms of the cash transfer for the more needy families.83

Since Iran’s nuclear development running, countries of the world especially the U.S. and allies are increasingly cautious. International sanctions are imposed to Iran to annoy moreover cripple nuclear development in a way destabilize the economy. But, Iran’s government continue try to do everything they can to keep the stability of the country's economy.

Iran is set for a second round of talks with international negotiators in Baghdad on May 23 on its nuclear program. Some experts and U.S. officials believe that recently imposed sanctions on the country's financial and oil industries are taking an economic toll and encouraging Iran to negotiate.

However, Hassan Hakimian, director of the London Middle East Institute and an economics expert, says Iran's economy seems to be doing better than some believe, and that "it remains to be seen" whether the sanctions' bite will impact negotiations. Hassan Hakimian also says Iran's government, like other governments under sanction, may find ways of

83 http://www.cfr.org/iran/sanctions-affect-irans-economy/p28329
shielding itself from the worst economic effects. "Iran has been expecting these sanctions for quite a while, so they are, in a sense, better prepared than most people might realize," he says.\(^8^4\)

Sanctions have created pressure on Iran, but Iran is also a large regional economy with a relatively diversified structure, oil is very important, but it's not entirely dependent on oil.

There's no doubt that the immediate effect of sanctions is to create hardships, and the ordinary people are not immune from that. When the Central Bank of Iran was blockaded by both the U.S. and Europe, the range and scope and severity of the sanctions would be far more pervasive. Whether that is going to make a real difference to the behavior and policy of the central government remains to be seen.

The impact on ordinary Iranians is not in itself going to be enough to bring about a change in the administration, because from the experience of sanctions, there's a wedge between what ordinary people in a country under sanctions experience and what the elite do. If push comes to shove, the elite and the administration can find ways of shielding themselves from the harshest impact of sanctions.

In the case of oil embargo, this will make it difficult for the Iranian government in the short- to medium-term. Certainly, the European embargo means Iran has to find customers who are at about half a million barrels of oil

\(^{8^4}\) Ibid
a day (to replace loss of European oil sales), and secondly, even when it continues to sell oil, it experiences difficulties in laying its hand on the proceeds of the sale of oil because of the expensive nature of the financial sanctions.

So this has kind of pushed Iran in two or three directions: a) find new customers, b) offer discounts to maintain customers, and c) enter into barter arrangements or conduct transactions in terms of local currencies, like the Rupee with India, which reduces the range of imports that Iran can get from trading partners.

The first direction is already Iran’s government doing, whereby Asian countries such as Singapore and even Indonesia are interested for buying Iran’s oil although in the bad Iran condition that is oil embargo. In the other side, Iran’s government solving the economic problem with follows the local currencies like in India when the transactions going on for reduce the range of imports that Iran can get from trading partners. Iran’s government faces the international sections like oil embargo with their own strategy which are those strategies to keep the stabilization of the Iran economic development.
III. 1. The Foreign Policy of U.S. Against Iran's Nuclear

In the journal issued by the Heritage Foundation, James Phillips gives his views on U.S. foreign policy towards Iran is described as a 'stick and carrot'. There are several requirements that should be imposed on Iran to comply with international rules, namely; (1) permanently cease efforts to develop a nuclear reactor that is a full cycle, (2) suspend permanently all programs associated with the uranium enrichment process, (3) terminate permanently all programs to extract plutonium, (4) permanently discontinue development efforts water nuclear reactor, (5) allow the international atomic inspection agency with full authority.\textsuperscript{85}

When these conditions are met by Iran, then as a concession, the country will be granted ease of trade and diplomacy from the U.S. and three European countries allies known as the EU-3 (Germany, France, and Britain). But if Iran does not heed them, then stick can be reached through five mechanisms: (1) the U.S. and the EU-3 will be filed case to the UN Security Council, (2) the application of economic sanctions, (3) blockade on the possible deployment of nuclear material out of Iran, (4) Joint Declaration for reaffirm the NPT, (5) the military option. Where those mechanisms have been implemented on Iran, economic sanction is the one of mechanisms which the

\textsuperscript{85} James Phillips, John C. Hulsman, and James Jay Carafano, Countering Iran's Nuclear Challenge, Backgrounder, No.1903. December 14, 2005, page 4
U.S. imposed to Iran by oil embargo recently, and on July 2012 EU also following the U.S to officially impose the oil embargo on Iran.

Joseph Cirincione\textsuperscript{86} has an opinion that the strategy to stop the Iran nuclear program should covered several aspects, as follow:

1. An accurate assessment of the potential threats

The most important factor in formulating foreign policy is an accurate assessment of the potential threats. Learning from Iraq cases when President Bush decided to invade the country, a mistake in collect intelligence information and analyzing the potential threat caused worst thing. Allegations development and possession of weapons mass destruction to be not proven.

Based on intelligence reports, although in the past five years, Iran actively developing nuclear technology, but it is still far from successful. Iran is predicted to be able to process and produce uranium in sufficient quantities to make a bomb in 2015.\textsuperscript{87}

The calculation is based on the consensus of the U.S. intelligence community by entering some worst case factors that may delay Iran's ambition to develop nuclear weapons.

Since 2001 Iran has completed most of its nuclear program. Some of these include the construction of a uranium enrichment facility at Natanz. The facility was built below ground as deep as 75 ft (2.5 m) and reinforced

\textsuperscript{86} Joseph Cirincione, "Controlling Iran's Nuclear Program", http://www.issues.org/22.3/cirincione.html, \\
\textsuperscript{87} Dafna Linzer, "Iran is Judged 10 Years from Nuclear Bomb," The Washington Post, August 25 2005.
concrete structures to protect against possible air attacks. Meanwhile in Isfahan, there is a facility capable of converting uranium into uranium hexafluoride. Iran also successfully builds a heavy water reactor at Arak, and began construction of electricity generating capacity of 40 megawatts (IR-40) there. Iran also has been able to produce an example of low-enriched uranium and nearly completed nuclear reactor at Bushehr.

2. Discredit the legitimacy of Iran's nuclear program that other countries do not adopt the case as an example. This is done by performing a series of NPT meeting to force Iran to comply with the specified criteria. NPT items that become a shield for Iran on the use of nuclear for peaceful purposes should be clarified again.

These include provisions for each country to constantly update its nuclear technology development, especially related to centrifugal devices, reprocessing technology, the possibility of bomb-making, and saving or plutonium and uranium products.

3. Increasing pressure / economic consequences will be experienced by Iran and other countries that are resistant or intends to leave the NPT points of agreement.

4. Establish an understanding with Russia not to provide technical assistance and support for Iran's nuclear program. This can be achieved if the United States were able to provide economic incentives to the deal and Russia. During the last decade Russia insists on continuing nuclear assistance
to Iran under the pretext that such assistance within the framework of nuclear for peaceful purposes.

5. Preventing Iran so as not to disrupt oil shipping lane with proposals aimed at demilitarization Montreux Straits of Hormuz.

6. Offering economic incentives and ease of diplomacy to Iran as compensation if the country is to halt its nuclear program.

The impasse in the negotiation process of Iran’s nuclear and Iran's stance to continue its nuclear enrichment program regardless of UNSC sanctions pushing the United States to consider coercive measures against Iran. According to George Perkovich and Silvia Manzanero\(^\text{88}\), coercive is escalating measurable actions that can increase costs or cause suffering or forcing the organization to change its stance. Coercive action may be manifested by isolating political, and economic sanctions, and the last deployment military strength.\(^\text{89}\)

In the Iranian nuclear crisis, coercive has three objectives: first, to inflict suffering that can change the view of the leaders of Iran to comply with the NPT and second, to prevent Iran's intention to develop nuclear weapons technology; third, set an example for other countries that want to follow in the footsteps of Iran in order to undo intention. Coercive actions that have been imposed on Iran now that the economic sanctions. Where the U.S. and

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\(^{89}\) Ibid
Western countries have imposed sanctions that embargoed Iranian oil economy, where countries are refusing to oil supplies from Iran. Decision of the West following the U.S. in imposing sanctions on Iran oil embargo be able to disrupt the economic stability of the country and have an impact on the inhibition of the development of Iran's nuclear technology is currently underway.

Iran today is more recalcitrant than ever, and it continues to advance its nuclear weapons capability. Thus, the benefits of the US-favored ‘pressure track’ have been found lacking, while the disadvantages of such an approach evident by Iranian intransigence have been clearly demonstrated time and again over the past two decades.

The nuclear issue has become a unifying force in an otherwise discordant Iranian political system, and Western pressure has only encouraged this trend. As Iran’s perceived external threat grows, the importance of the nuclear program for Iranian national unity correspondingly increases. This pattern only feeds the West’s determination to try harder to impose some form of constraints, leading to new and ever tougher measures that are always under development.

The West and Iran, therefore, are locked in a cycle of hostility wherein the West constantly ratchets up pressure by imposing sanctions and threats, and Iran responds with further entrenchment of its defiance. However, there is a significant danger inherent in this dynamic. Western pressure forces
Iran to bear the costs of an illicit nuclear weapons program despite the fact that in Iran’s view no such illicit program actually exists. The longer the West imposes punishment for a crime that Iran believes it did not commit, the greater the odds that Iran’s calculus could shift in favor of weaponization, if for no other reason than it has nothing to lose by doing so. Ultimately, this path leads either toward confrontation or proliferation.

Efforts on the part of either side to obtain confidence-building measures over the past decade have failed to put an end to this recurring cycle. It is therefore likely that, if allowed to continue in perpetuity, the cycle of US-Iranian hostility will eventually reach a tipping point. Most likely this will involve an Iranian decision to retaliate harshly against the West for its perceived aggression, possibly even to acquire nuclear weapons. Both sides will share in the blame for such an unfortunate outcome, having watched this pattern develop over the years but lacking the will to do anything to alter it.

Iran’s willingness to bear the political and economic costs of an active nuclear weapons program without accruing any of the benefits for itself can only be expected to last for so long. By communicating that it will continue to punish Iran for pursuing nuclear weapons irrespective of Iran’s nuclear ambivalence, the West effectively encourages Iranian nuclear weapons development.\(^91\)

\(^90\) Abraham has explained this dynamic in further detail in ““Who’s Next?,”” using India and North Korea as further test cases.
III. 2. US Threat Perception to Iran’s Nuclear

President of the U.S Barrack Obama trying to do many ways to stop the developing of Iran nuclear, Obama's dream of a world without nuclear weapons since U.S led by him. He divided his deepest passion to the students of Hankuk University, South Korea, May 26, 2012.

It is also a statement scolding the country of North Korea (North Korea), and Iran, which is touted to develop nuclear weapons. Obama also committed, it would cut the country possessed nuclear weapons.

Meanwhile, Obama said he hoped to meet with the President of Russia, Vladimir Putin, in May, to discuss the continuation of the strategic arms reduction treaty, signed in 2010.

"I will continue the Strategic Arms Reduction Treaty (Start) has agreed with Russian President Dmitry Medvedev in 2010," Obama said.

In the agreement regarding to the nuclear weapons, both Washington and Moscow, agreed to cut their arsenals to 1550 the number of nuclear warheads, or reduced by 30% of the previously agreed limit.92

Moreover, at the UN General Assembly on Tuesday, September 25, 2009, Barrack Obama vowed to exert all efforts to prevent Iran from having nuclear weapons. According to him, Iran's nuclear weapons program poses a

92 http://www.tribunnews.com/2012/03/26/obama-mimpikan-dunia-tanpa-senjata-nuklir
serious threat to the security of neighboring countries of Iran, like Israel, as well as regional security Gulf countries.

"Iran's nuclear weapons could be used to burn down Israel, the security of the Gulf states, and the stability of the global economy." That's why the United States will do what we must do to prevent Iran from acquiring nuclear weapons," Obama said.

The crisis in the Middle East dominated the first day of the annual summit meeting of the United Nations, in New York, USA, where Western leaders sought to increase pressure on Damascus and Iran, with a focus to find ways of diplomacy rather than force of arms.93

In the U.S. perspective, at least there are three threats that will arise if Iran is developing a nuclear program until capable to make nuclear weapons. First, Iran's nuclear ambitions will stimulate its neighbors (Saudi Arabia, Iraq, Egypt, Syria, Turkey and Algeria) to participate in the development of nuclear technology. That is will spur arms race and make the Middle East as a nuclear area. Second, Iran with nuclear capability feared would threaten the principle of freedom of the traffic seas that could make tankers and offshore oil fields will be disrupted. This will cause oil-shock in world market so resulting in global effects. Within the scope of the Middle East, Iran is a country that has the second largest oil reserves after Saudi Arabia, so that if the country cut oil alone is capable of causing instability in

oil prices. Third, with a nuclear weapons capability, Iran would become a symbol of resistance and unifying the countries in the Middle East that has hates the U.S and the allies, including Israel. U.S. and allies influence in that region will fade so that the U.S. strategic interests, especially oil will be seriously threatened. Terrorism will be more fertile as it gets protection from Iran to possess nuclear weapons.

In 1996, the commission in charge of reviewing the U.S. national interest highlighted two recommendations to the U.S. government: (1) to prevent any nuclear attack, chemical, or biological to the U.S., (2) ensure the superiority of the U.S. as long as possible to prevent the emergence of a new enemy countries from Europe and Asia that could threaten U.S. hegemony.38 To fulfill first recommendation, the government of George W. Bush has made the invasion of Afghanistan and Iraq. As for the second recommendation, the U.S. focus on efforts to prevent the rise of Russia and its influence on European and Japanese support and South Korea to be a strong rival China in Asia, because it would influence the stability of world situations.

Since the United State led by Barrack Obama, he continuing to carry out the two recommendations which prevent any nuclear attack and the emergence of a new enemy countries for Europe and Asia that could threaten U.S. hegemony. Imposed the economic sanctions to Iran is the one of Obama’s efforts to prevent the nuclear attack by hoping this sanction will stop the Iran’s nuclear development program.
III. 3. Oil Embargo on Iran as an US Economic Sanction

Oil embargo is the one of economic sanction which the U.S. and the Western countries imposed to Iran related to the development of Iran nuclear program. Imposed the international sanctions to Iran are to annoy moreover cripple nuclear development in a way destabilize the economy, so that the nuclear program will face the obstacles.

In 2006, the U.S. asked the United Nations Security Council to impose sanctions on Iran if it didn’t agree to suspend uranium enrichment. Iran continually ignores repeated Security Council Resolutions. It knows that sanctions would require Security Council members Russia opposes sanctions, and has offered China, France and the UK to interrupt their oil imports from Iran. The U.S. has nothing to lose from a sanction, since it imports no oil from Iran.

Iran announced in 2007 it would use Euros for all foreign transactions, including oil. Iran is also converting all dollar-denominated assets held in foreign countries to the euro.\(^9^4\)

Iran's crude oil exports collapsed this summer after the U.S. and E.U. sanctions came into effect July 1, 2012. According to the International Energy Agency, July exports sank to 930,000 barrels per day (b/d), compared to last

\(^{94}\) [http://useconomy.about.com/od/worldeconomy/p/Iran_Economy.htm](http://useconomy.about.com/od/worldeconomy/p/Iran_Economy.htm)
year's average of 2.2 million b/d. Total oil production fell to 2.9 million b/d, and this is a low not seen since 1989.95

U.S. and U.N. sanctions through 2010 barred the supply of nuclear materials to Iran, froze assets related to its nuclear program, inhibited the development of conventional and unconventional weapons, and complicated or prevented a variety of commercial activities inside the country. Some officials were barred from travel and personally sanctioned. Iran's Revolutionary Guards came under increased scrutiny as well. But years of pressure and the convergence of American and international concern did not change Iranian policy through 2011. Repression continued to define the political order, especially after President Mahmoud Ahmadinejad's controversial reelection in 2009. Iran's nuclear program advanced in spite of sabotage and international apprehension.

Late last year, however, calculations changed. An alarming report released by the International Atomic Energy Agency in November (combined with the collapse of Iranian-European relations weeks later, persistent threats from Israel, and frustration in Washington) provided the impetus for the toughest sanctions to date. Iran's 2.2 million barrels a day (b/d) in crude exports suddenly became fair game.

III. 3. 1. New sanctions target oil

On December 31, 2011, President Barrack Obama signed new sanctions into law. Iran's banking and financial sector were targeted, including the Central Bank of Iran, which handles the country's oil transactions. Banks and businesses around the world were put on notice. They could do business with the United States or Iran, but not both. The White House also maintained the right to grant exemptions to those countries that significantly cut crude imports from Iran before June 28, 2012.

Customers thus have an incentive to diversify their imports rather than totally sever them. The law does not specify what percentage a country must cut imports by in order to qualify for an exemption. But 15-20 percent seems to be the goal, judging by government and corporate statements around the world.96

The 27-member European Union announced even tougher measures on January 23, 2012. After much wrangling between foreign ministers eager to punish Iran and economic ministers worried that manipulating the oil market could backfire, the E.U. declared it would ban all Iranian crude after July 1, 2012. Roughly 20 percent of Iran's exports in 2011 -- 450,000 b/d of oil -- would thus be forced to find new markets. Assets of Iran's Central Bank were frozen. And, most importantly, European insurance providers were prohibited from covering any tanker that carried Iranian oil. Europe is home

96http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2012/05/business-2012-iranian-oil-survey.html#lyzz2HQ0Bdz3
to the world's largest protection and indemnity providers (P&I clubs), which cover an estimated 90 percent of all sea-faring tonnage. The impact of the reinsurance provision could be devastating, as importers -- state-owned and private -- struggle to arrange alternatives beyond July 1, 2012. 97

Now may be the perfect time to survey Iranian oil prospects for 2012. Contracts with Iran's biggest customers were settled just recently. Iran can expect how much oil Iran sells to India and China, its biggest customers. Two months before the July 1, 2012 deadline, Europe shows no signs of wavering; the threat of total boycott looms. In anticipation of U.S. sanctions, some of Iran's most dependable customers are preparing to cut imports. Finalized contracts, public statements from once loyal customers, and new data suggest Iranian exports are shrinking ahead of summer. Exports will be cut dramatically after July unless there is a diplomatic breakthrough.

Iran's customers now fall into three broad categories: those that will totally boycott Iran, like the E.U.; those that will continue to buy Iranian crude but will assume greater risk, like China and India; and those preparing to cut imports significantly in order to avoid sanctions, including Turkey, South Korea, and Japan. Up to one-half of Iran's total crude exports could be affected. 98

International sanction that imposed to Iran has many impacts. In January 2012, after inspectors found more proof that Iran was closer to

97 Ibid
98 http://useconomy.about.com/od/commoditiesmarketfaq/f/oil_prices.htm
building nuclear weapons capabilities. The U.S. and European Union began financial sanctions, which escalated to Iran threatening to close the Straits of Hormuz. The U.S. responded with a promise to reopen the Strait with military force if necessary. The possibility of an Israeli strike was also a concern.

As a result, oil prices bounced around $95-$100 a barrel from November through January. In mid-February, oil broke above $100 a barrel and stayed there. Gas prices also went to $3.50 a gallon. Forecasts were that gas would be at least $4.00 a gallon through the summer driving season.99

World unrest also caused oil prices to rise in the spring of 2011. In March 2011, investors became concerned about unrest in Libya, Egypt and Tunisia in what became known as the Arab Spring. Oil prices rose above $100 a barrel in early March, reaching its peak of $113 a barrel in late April.100

The Arab Spring revolts lasted through the summer, and resulted in an overturn of dictators in those countries. At first, commodities traders were worried that the Arab Spring would disrupt oil supplies. However, as that didn't happen, the price of oil returned to below $100 a barrel by mid-June.101

Oil prices also increased $10 a barrel in July 2006 when the Israel-Lebanon war raised fears of a potential threat of war with Iran. Oil rose from its target of $70 a barrel in May to record-high of $77 a barrel by late July.

99 (Source: New York Times, Iran News; Energy Information Administration, Cushing WTI Spot Price)
100 http://useconomy.about.com/od/commoditiesmarketfaq/f/oil_prices.htm
101 Ibid
CHAPTER IV
ECONOMIC DEVELOPMENT OF IRAN: OIL EMBARGO BY THE U.S.

IV. 1. History of Oil Embargo by U.S. On Iran

On December 31, 2011, U.S. President Barrack Obama tightened American sanctions on business with Iran. The sanctions are intended to deprive the Iranian nuclear program of the funding it needs to continue.102

While the United States has had some sort of sanction levied against Iran for most of 30 years, few of them have levered Iran into compliance with international rules regarding terrorism or nuclear energy. By early 2012, however, evidence appears to be mounting that sanctions, both by the U.S. and its global allies are hurting Iran.103

Most of the current sanctions cut into Iran's oil exports, which account for 85% of the country's export revenue. Iran's repeated threats to close the Strait of Hormuz (itself a vital oil conduit) to international use indicates that Iran is kicking at global oil usage to relieve pressure on its own oil industry.104

IV. 1. 1. Carter Years

In November 1979, Islamic radicals captured 52 Americans at the U.S. Embassy in Tehran and held them hostage for 444 days. U.S. President

103 Ibid
104 Ibid
Jimmy Carter tried unsuccessfully to free them, including authorizing a military rescue attempt. Iranians did not free the hostages until just after Ronald Reagan replaced Carter as president on January 20, 1981.¹⁰⁵

In the midst of the crisis, in 1980, the United States broke diplomatic relations with Iran. It has never been restored.

The U.S. also levied its first round of sanctions against Iran during the crisis. In 1980, Carter banned imports of Iranian oil, froze some $12 billion in Iranian assets in the U.S., and later banned all U.S. trade with and travel to Iran. The U.S. lifted the embargoes after Iran released the hostages.¹⁰⁶

IV. 1. 2. Sanctions under Reagan

In 1983, the Reagan Administration declared Iran a state sponsor of terrorism. As such the U.S. opposed international loans to Iran.

When Iran began threatening traffic through the Persian Gulf and Strait of Hormuz in 1987, Reagan authorized naval escorts for civilian ships, and he signed a new embargo against Iranian imports.¹⁰⁷

The United States also banned the sale of "dual use" items to Iran. Dual-use items are civilian goods with the possibility of military adaptation.¹⁰⁸

¹⁰⁶ Ibid
¹⁰⁷ Ibid
¹⁰⁸ Ibid
IV. 1. 3. The Clinton Years

In 1995, with Iran still labeled a state sponsor of terrorism and amid widespread fear Iran was pursuing weapons of mass destruction, President Bill Clinton expanded U.S. sanctions against Iran. He prohibited all American involvement with the Iranian petroleum industry. In 1997 he banned all American investment in Iran as well as what little U.S. trade remained with the country. Clinton also encouraged other countries to do the same.\textsuperscript{109}

IV. 1. 4. Sanctions under George W. Bush

Under President George W. Bush, the United States repeatedly froze the assets of people, groups, or businesses identified as helping Iran sponsor terrorism, destabilize Iraq, or work on weapons programs. The U.S. also froze the assets of foreign entities believed to be helping Iran in those areas.\textsuperscript{110}

The United States under Bush also banned so-called "U-turn" financial transfers involving Iran. According to the U.S. Treasury Department, a U-turn transfer involves Iran but "originate and end with non-Iranian foreign banks."\textsuperscript{111}
IV. 1. 5. Obama's Sanctions of Iran

President Barrack Obama has been strident with Iranian sanctions. In 2010, he banned some imports of Iranian foodstuffs and carpets. Congress also allowed Obama to tighten Iranian sanctions with the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA). Importantly, Obama can encourage non-U.S. petroleum firms to halt the sale of gasoline to Iran. Iran, which has poor refineries, imports nearly one-third of its gasoline.\textsuperscript{112}

The CISADA can also prohibit foreign entities from using American banks if they do business with Iran. In May 2011, the Obama Administration sanctioned Venezuela's nationalized oil company for trading with Iran. Venezuela and Iran are close allies. Iranian President Mahmoud Ahmadinejad traveled to Venezuela in early January 2012 to meet with President Hugo Chavez, in part, about the sanctions.\textsuperscript{113}

In June 2011, the Treasury Department announced new sanctions against Iran's Revolutionary Guard (already named in other sanctions), the Basij Resistance Force, and Iranian law enforcement entities. Obama ended 2011 by signing a defense funding bill that will allow the U.S. to cease dealing with financial institutions that do business with Iran's central bank. The bill's sanctions will take effect between February and June 2012. Obama

\textsuperscript{112} http://usforeignpolicy.about.com/od/alliesenemies/a/A-History-Of-U-S-Sanctions-Against-Iran.htm

\textsuperscript{113} Ibid

59
has the power to waive aspects of the bill if implementation will hurt the U.S. economy. Limiting access to Iranian oil could drive up gasoline prices.\textsuperscript{114}

\textbf{IV. 2. Iran Oil Exports During The Embargo Imposed (2010-2012)}

Iran, a member of the Organization of the Petroleum Exporting Countries (OPEC), ranks among the world's top four holders of both proven oil and natural gas reserves. In 2010, Iran was the third-largest exporter of crude oil globally after Saudi Arabia and Russia. However, falling production and increases in domestic consumption will continue to squeeze the volumes of oil available for export in recent years.\textsuperscript{115}

Iran has the world's second largest natural gas reserves but the sector is under-developed and used mostly to meet domestic demand. Natural gas accounts for 54 percent of Iran's total domestic energy consumption. Most of the remainder of energy consumption is attributable to oil, with marginal contributions from coal and hydropower. Iran is expected to increase natural gas production from its offshore South Pars natural gas field in the Persian Gulf, an integral component of energy sector expansion plans.\textsuperscript{116}

International sanctions enacted in the summer of 2010 have slowed progress across the energy sector, especially affecting upstream investment in both oil and natural gas projects. The United States, United Nations, the

\textsuperscript{114} Ibid
\textsuperscript{115} http://useconomy.about.com/gi/o.htm?zi=1/XJ&zTt=1&cdn=useconomy&cdn=newsisissues&tm=3320&f=22&s u=p284.13.342.jp &tt=12&bts=1&zu=http%3A//www.eia.gov/tools/faqs/faq.cfm%3Fid%3D33%3D33%26%3D
\textsuperscript{116} Ibid
European Union, and a number of European and Asian countries have targeted the Iranian energy sector with sanctions of varying degrees of stringency. These have prompted a number of international energy companies to pull out of upstream projects. Sanctions have also impeded the import of refined products, prompting efforts to boost domestic production and curb rising demand in Iran.  

The Strait of Hormuz, on the southeastern coast of Iran, is an important route for oil exports from Iran and other Persian Gulf countries. At its narrowest point the Strait of Hormuz is 21 miles wide, yet an estimated 17

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117 http://www.eia.gov/countries/cab.cfm?fips=ir
million bbl/d flowed through it in 2011 (35 percent of all seaborne traded oil and 20 percent of oil traded world-wide).

Iran's reserves are not confined to the southwest and offshore Persian Gulf, creating potential for further discoveries. Iranian has oil reserves under the Caspian Sea, but exploration and development of these reserves have been at a standstill due to territorial disputes with neighboring Azerbaijan and Turkmenistan. Iran also shares a number of both onshore and offshore fields with neighboring countries, including Iraq, Qatar, Kuwait, and Saudi Arabia.

Proved, that Iran has big potential in export oil and gas for countries surrounding the world by take a look from the map above shows that Caspian Sea reserves biggest oil and gas for Iran. Because of Iran has a big potential in take control oil export, the U.S and EU countries imposed the sanctions related on oil where it's the main income by hoping that it will be the obstacles for Iran in their nuclear development program.

Since EU officially imposed oil embargo on Iran July, 1, 2012, President Iran Ahmadinejad was decided to stop oil export to European countries. Iran oil exports to the EU of 18% was recorded before the oil embargo the EU and it is very small compared to the total oil exported to countries around the world, said as quoted by Qashemi, IRNA reported.

Because Iran has cheap and high of oil quality, Iran has a lot of customers around the world, Qashemi said which asserts that Tehran has
entered talks with many countries new customers of Iranian oil, such as Asian countries.

Meanwhile, the decision makers and the Vice President of Iran on Saturday, June, 30, 2012 understate the magnitude of possible EU oil embargo against Iran, saying that it would not affect the rise and growth of the Iranian economy.\(^\text{118}\)

Iran oil supplies to Europe mostly to Greece, Italy and Spain, which amounts to about 68 percent of crude oil imports from the Islamic Republic. In 2011, the EU bought about 600 thousand barrels of crude oil per day from Iran. However, since the European Union imposed sanctions against Iran officially, Iran suspended oil supplies all these EU countries.\(^\text{119}\)

While the U.S. and EU countries stopped their oil import from Iran, the government of Iran find out the other ways to solved this problem, where increase the oil export to others countries that wants and constantly buy Iran’s oil, such as South Korea, Japan, India, China, and Russia. South Korea increase its crude imports from Iran. Statistical data released by the Korea Customs Service, Seoul indicated that buy crude oil Carousel of 793,361 metric tons, equivalent to around 188,000 barrels per day from Iran in

\(^{118}\)http://www.analisadaily.com/news/read/2012/07/02/60321/iran_siap_tantang_embargo_minyak_barat/
\(^{119}\)http://indonesian.irib.ir/ekonomi/-/asset_publisher/ShX2/content/impor-minyak-korsel-dari-iran-naik-24-persen
December 2012. This number reflects the 24 percent increase compared to 639,281 tons in the same period the previous year.\footnote{Ibid}

Meanwhile, the Finance Ministry of Japan said that the crude oil imports from Iran to East Asia increase more than doubled in November 2012 compared with October 2012.

In November, Japan's crude oil purchases from Iran reached its highest level since March. Bloomberg on Thursday, December 27, 2012 reported that Japan imported 1.25 million kiloliters of crude oil from Iran in November compared to 469,024 kiloliters in October 2012.\footnote{http://indonesian.irib.ir/ekonomi//asset_publisher/ShX2/content/jepangtingkatkanimporminyaknyadariiran?redirect=http://indonesian.irib.ir/?Fekonomi%3Fp%5Bid%5D101_INSTANCE_ShX2%26p_lifecycle%3D0%26p_state%3Dnormal%26p_mode%3Dview%26p_col_id%3Dcolumn1%26p_p_col_count%3D1}

According to the energy economist based in Tokyo, Osamu Fujisawa, Japan increased its oil imports from Iran in an effort to make up for its short comings during this time because of Western sanctions against Tehran.\footnote{Ibid}

\section*{IV. 2. 1. Economic Revenues of Iran}

Iran's economy is marked by statist policies and an inefficient state sector, which create major distortions throughout the system, and reliance on oil, which provides the majority of government revenues. Price controls, subsidies, and other rigidities weigh down the economy, undermining the potential for private-sector-led growth. Private sector activity is typically limited to small-scale workshops, farming, and services. Significant informal
market activity flourishes and corruption is widespread. Tehran since the early 1990s has recognized the need to reduce these inefficiencies, and in December 2010 the legislature passed President Mahmud Ahmadinejad's Targeted Subsidies Law (TSL) to reduce state subsidies on food and energy. This was the most extensive economic reform since the government implemented gasoline rationing in 2007.\textsuperscript{123}

Over a five-year period the bill will phase out subsidies that previously cost Tehran $60-$100 billion annually and mostly benefited Iran's upper and middle classes. Cash payouts of $45 per person to more than 90% of Iranian households mitigated initial widespread resistance to the TSL program, though popular acceptance remains vulnerable to rising inflation. A rise in world oil prices in 2011 increased Iran's oil export revenue by roughly $28 billion over 2010, easing some of the financial impact of international sanctions. However, expansionary fiscal and monetary policies, government mismanagement, the sanctions, and a depreciating currency are fueling inflation, and GDP growth remains stagnant. Iran also continues to suffer from double-digit unemployment and underemployment. Underemployment among Iran's educated youth has convinced many to seek jobs overseas, resulting in a significant "brain drain."\textsuperscript{124}

\textsuperscript{123} https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html
\textsuperscript{124} Ibid
IV. 2. 2. Data of Iran Economic Revenues

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<th>Units</th>
<th>Scale</th>
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<td>Percent of GDP</td>
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<td>Gross national savings</td>
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<td>Inflation, average consumer prices</td>
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<td>Volume of exports of goods and services</td>
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<tr>
<td>Value of oil exports</td>
<td>U.S. dollars</td>
<td>Billions</td>
<td>86.713</td>
<td>112.988</td>
<td>91.533</td>
</tr>
<tr>
<td>General government revenue</td>
<td>National currency</td>
<td>Billions</td>
<td>987,112.700</td>
<td>1,402,264.884</td>
<td>1,495,928.142</td>
</tr>
<tr>
<td>General government net debt</td>
<td>National currency</td>
<td>Billions</td>
<td>234,828.395</td>
<td>140,756.414</td>
<td>76,696.127</td>
</tr>
</tbody>
</table>

Table 2. IMF’s data and statistics 9 ([www.imf.org/external/data.htm](http://www.imf.org/external/data.htm))

The IMF publishes a range of time series data on IMF lending, exchange rates and other economic and financial indicators. In the case of analysis the economic development of Iran, International Monetary Fund data and statistics shows the condition of the economic growth by the number where the period is from 2010-2012. The number shows that the economic growth of Iran post the nuclear development program where until the U.S. and EU countries imposed the economic sanctions to Iran is stated that the action is influencing the economic condition of Iran where in 2010 until 2012 the number is always changing from year to year. Iran government has their own economic system to managing their country where the economic challenges comes. Even the U.S and EU countries stopped import crude oil from Iran which is in
this case oil is the biggest Iran income, but Iran government always find out the other way how to minimize the risks that will be come, by find out the new costumers for export their oil with the provisions that they have for the best economic growth condition.  

For the evidences, the data shows that even the sanction imposed to Iran’s economic field, the economic development of Iran still existing, proof by the values of oil export in 2011 increased compare to in 2010, but because of the EU imposed the oil embargo in the early of 2012, the number decreased and influencing the values of oil export. On the other hand, the data showed that the value of oil export is zero, means that it could help to balance the challenges of Iran economic condition. Then, the data also showed that the general government revenue year by year is increased even there is the oil embargo. So, the data showed that oil embargo that the U.S and EU imposed on Iran is influencing the economic growth of Iran, but the economic development is still existing and Iran government always keep the strategies to solved that economic sanction.

IV. 2. 3. Iran’s Oil Export to the Three Biggest Costumers (2010-2012)

According to *Oil & Gas Journal*, as of January 2011, Iran has an estimated 137 billion barrels of proven oil reserves, 9.3 percent of the world's total reserves and over 12 percent of OPEC reserves. In July 2011, OPEC released its 2010 Annual Statistical Bulletin which raised Iran's proven

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125 www.imf.org/external/data.htm
reserves to more than 151 billion barrels of crude. Some analysts are skeptical of this estimate, however, as Iran revised its reserves a week after Iraq had revised its own, leading some to speculate the move was political.\(^{126}\)

Two months before the July 1, 2012 deadline, Europe shows no signs of wavering; the threat of total boycott looms. In anticipation of U.S. sanctions, some of Iran's most dependable customers are preparing to cut imports. Finalized contracts, public statements from once loyal customers, and new data suggest Iranian exports are shrinking ahead of summer. Exports will be cut dramatically after July unless there is a diplomatic breakthrough.\(^{127}\)

Iran's customers now fall into three broad categories: those that will totally boycott Iran, like the E.U.; those that will continue to buy Iranian crude but will assume greater risk, like China and India; and those preparing to cut imports significantly in order to avoid sanctions, including Turkey, South Korea, and Japan. Up to one-half of Iran's total crude exports could be affected.\(^{128}\)

Japan, China, and India are included in the biggest countries which becomes the importer of Iran’s oil. Those three countries not imposed the oil embargo to Iran like U.S. and EU countries, but the effects of that economic sanction influencing the condition of those countries in the import oil activity

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\(^{126}\) [www.eia.gov/countries/cab.cfm?fps=i](http://www.eia.gov/countries/cab.cfm?fps=i)

\(^{127}\) [http://www.pbs.org/wgbh/pages/frontline/tebinbureaut/2012/05/business-2012-iranian-oil-survey.html](http://www.pbs.org/wgbh/pages/frontline/tebinbureaut/2012/05/business-2012-iranian-oil-survey.html)

\(^{128}\) Ibid
with Iran. The data of the three countries showed that the instability number of the imports oil activity.

According to Japan's Ministry of Economy, from January to August 2010, Japan imported around 365,000 b/d from Iran. Then, for the next year 2011 Japan imported an average of 316,800 b/d. In 2012, since U.S and EU imposed the oil embargo on Iran, outside the EU, many customers are cutting imports by 15 percent or more. On March 20, 2012, Tokyo qualified for an exemption along with ten E.U. member states after it cut imports by at least 50,000 b/d in 2012. Officials hailed the exemption at the time and hinted that further cuts are expected. The Japanese government cutting imports from Iran by another 20,000 b/d, so in 2012 Japan imported 296,000 b/d.¹²⁹

As Tehran Bureau reported on September 24, 2010, from January to August of 2010, China imported around 391,000 b/d from Iran. Then for the next year 2011, China increase their oil imported approximately 543,000 b/d. Based on the 6-month data, China, India, South Korea, and Turkey have increased their imports of Iranian crude oil thus far this year, 2011, as crude oil volumes are reallocated to the countries that have imposed less stringent sanctions on them. At the same time, export volumes to Italy and the UK have decreased at least in part due to sanctions imposed on the Iranian energy sector. Then for this year, 2012, China reduced imported oil become 456,342 b/d, because of the impact of international sanctions which EU imposed to Iran, namely oil embargo.\textsuperscript{130}

\textsuperscript{130} http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2010/10/japan-iran-oil-ties-go-dry.html
According to Global Trade Atlas, U.S. Energy Information Administration shows that for 2010 India imported oil from Iran approximately 345,000 b/d. Then for the next year 2011, India included in the five of countries which is increased the imported oil from Iran that is become 350,000 b/d. Since the oil embargo imposed on Iran July 2012, India reduced their oil imported from Iran become 201,860 b/d.\textsuperscript{131}

**IV. 3. Economic Development of Iran during Oil Embargo (2010-2012)**

U.S. and U.N. sanctions through 2010 barred the supply of nuclear materials to Iran, froze assets related to its nuclear program, inhibited the development of conventional and unconventional weapons, and complicated or prevented a variety of commercial activities inside the country. Some officials were barred from travel and personally sanctioned. Iran's Revolutionary Guards came under increased scrutiny as well. But years of

\textsuperscript{131} http://www.eia.gov/countries/cab.cfm?fips=ir
pressure and the convergence of American and international concern did not change Iranian policy through 2011. Repression continued to define the political order, especially after President Mahmoud Ahmadinejad's controversial reelection in 2009. Iran's nuclear program advanced in spite of sabotage and international apprehension.\textsuperscript{132}

The recent IMF report on Iran’s economy has ruffled feathers in the West by presenting a positive assessment of the economic reforms undertaken by the Iranian government and drawing an optimistic outlook of Iran’s economic growth. The IMF has particularly lauded Iran’s much-fretted subsidy reform, which removed around 100 billion dollars’ worth of mainly energy subsidies late last year, noting “The subsidy reform is expected to increase efficiency and competitiveness of the economy, improve income distribution, reduce poverty, and help Iran unlock its full growth potential”. The report also highlights that “cash transfers, financed out of the revenues arising from the energy price increases, were instrumental in supporting domestic demand, improving income distribution, and reducing poverty”.\textsuperscript{133}

With concern in the West mounting over Iran's nuclear ambitions, some lawmakers and policy advocates see sanctions as the best option to halt Tehran's uranium enrichment program.

\textsuperscript{132}http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2012/05/business-2012-iranian-oil-survey.html#ixzz2IR75m5Mg
\textsuperscript{133}Foreign policy journal “U.S. Sanctions and Iran's Economic Realities”, by Abolghasem Bayyenat, August 17, 2011
Since 2010, the United States and international partners have ratcheted up sanctions as reports surfaced of the country’s progress on potential nuclear weapons capability, although the regime regularly denies such a goal. An International Atomic Energy Agency report in November 2011 issued the agency's strongest indications to date that Iran is seeking a nuclear weapon. In response, the United States imposed new sanctions tightening the screws on Iran's petrochemical and oil and gas sectors.

The United States also designated Iran's entire financial sector—including its central bank—as a "primary money laundering concern" under the Patriot Act and could strengthen existing sanctions in the late summer of 2012. Meanwhile, the EU also has imposed sanctions on oil purchases from Iran, with all contracts terminating on July 1, 2012.134

Iran's crude oil exports collapsed this summer after U.S. and E.U. sanctions came into effect July 1. According to the International Energy Agency, July exports sank to 930,000 barrels per day (b/d), compared to last year's average of 2.2 million b/d. Total oil production fell to 2.9 million b/d, a low not seen since 1989. That same month, Iraq surpassed Iran in terms of total output, displacing its neighbor as the second-highest oil producer in OPEC for the first time in decades.135

134 The Lengthening List of Iran Sanctions, Authors: Toni Johnson, Deputy Editor, and Greg Bruno, Updated: July 31, 2012.
135 How Sanctions Affect Iran's Economy, Interviewee: Dr. Hassan Hakimian, Director, London Middle East Institute, Interviewer: Toni Johnson, Deputy Editor, May 23, 2012
Exports rose to 1.1 million b/d in August after China, Turkey, Japan and other customer’s restarted increased volumes. Top customers have arranged for Iranian tankers to deliver oil. And maritime insurance -- retracted by E.U. firms on July 1, 2012 -- will be provided either by Iranian firms or the governments of importing countries. Exports should rise slightly in September and then remain steady but still well below the 2011 average.\textsuperscript{136}

International sanction which is oil embargo that U.S. and EU imposed on Iran has been influencing to the economic growth of Iran, but the Iran’s government minimizes those impacts which could disrupt the economic growth. There isn't a lot of data and information that is being produced regularly on Iran's economy, and there's been significant gaps in information, and there's also some question over the credibility over official (Iranian) data, so that doesn't make it very easy to judge performance.

But if you look at somewhat more recent reports--for instance, by the IMF on Iran's economy last August--what you see is not exactly the sort of creaking economy on its knees in the face of sanctions. Sanctions have created pressure on Iran, but Iran is also a large regional economy with a relatively diversified structure--oil is very important, but it's not entirely dependent on oil.\textsuperscript{137}

\textsuperscript{136} Ibid
\textsuperscript{137} Ibid
Iran will search for other markets to which to sell oil. But that effort could be complicated by U.S. and E.U. pressure on banks around the world not to deal with the Central Bank of Iran, especially on oil sales. Several Asian purchasers of Iranian oil have recently had difficulties arranging for payment.

Presumably accelerated use of blocked accounts (the purchaser pays in local currency, which Iranian customers then use to buy goods in that country for shipment to Iran) will provide one alternative for sale of much if not all of Iran's oil. Another alternative is payment in currencies other than dollars or in gold. But these workarounds could impose additional costs on Iran, reducing the value of its oil exports. Furthermore, in recent weeks, Iran has not been particularly skillful at marketing its oil, insisting on tough terms with Chinese and Indian customers who had expected discounts.138

CHAPTER V
Conclusion

V.1. Conclusion

After examined and analyzed the Economic Development of Iran in the Post Nuclear Proliferation: the case of US Oil Embargo (2010-2012), this research comes to a conclusion that:

1. Iran’s nuclear development program is the one of largest international issues which gives the impacts to the regional stability.
2. The U.S. is the one of country which prevent to the Iran’s nuclear development program with the reasons that Iran will produce nuclear mass weapons that could make war.
3. Iran’s nuclear proliferation caused the international responded which is the U.S. imposed the international sanctions namely oil embargo on Iran with hopes that it will stop the Iran nuclear development program.
4. Since the U.S. and EU imposed the oil embargo on Iran between 2010-2012, the Iran’s economic development is plagued, this economic sanction influencing the economic growth of Iran but it is not make the Iran collapse, the Iran’s government finds out the other ways to solve that economic problem which comes up because of the economic sanction.
5. Iran’s government find new costumers such as Asian countries as their strategies in maintain the stability of oil export and to maintain the economic growth, such as Asians countries.

6. Japan, China, and India becomes the biggest Iran oil importer in 2012 since the oil embargo imposed to Iran, although they reduced their demand in the post of EU by officially imposed the oil embargo, but these countries are still buying oil from Iran. Oil embargo that U.S. and EU imposed to Iran influencing the economic growth of Iran, but this sanction is not give the big impact for the economic development of Iran.

All in all, this research concludes that Economic development of Iran in the post of nuclear proliferation is plagued the stability of Iran country itself, means that the nuclear development program that Iran’s has caused the international responds, where the U.S. and EU imposed the oil embargo to Iran as the way to stop and prevent the nuclear development program where this program ongoing. But, even Iran got the international sanctions that is economic sanction where attack the stabilization of their economic, Iran’s government find the other way to minimize the impacts. Oil embargo as the economic sanction from the U.S. and included EU are influencing the Iran economic stabilization, but because of the strategies that Iran has makes their economic still exist, proof by the data from IMF which showed that the general government revenues still increasing in 2012 while the oil embargo imposed on that year.
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APPENDICES

TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS

Signed at Washington, London, and Moscow July 1, 1968
Ratification advised by U.S. Senate March 13, 1969
Ratified by U.S. President November 24, 1969
U.S. ratification deposited at Washington, London, and Moscow March 5, 1970
Proclaimed by U.S. President March 5, 1970
Entered into force March 5, 1970

The States concluding this Treaty, hereinafter referred to as the "Parties to the Treaty",

Considering the devastation that would be visited upon all mankind by a nuclear war and the consequent need to make every effort to avert the danger of such a war and to take measures to safeguard the security of peoples,

Believing that the proliferation of nuclear weapons would seriously enhance the danger of nuclear war,

In conformity with resolutions of the United Nations General Assembly calling for the conclusion of an agreement on the prevention of wider dissemination of nuclear weapons,

Undertaking to cooperate in facilitating the application of International Atomic Energy Agency safeguards on peaceful nuclear activities,

Expressing their support for research, development and other efforts to further the application, within the framework of the International Atomic Energy Agency safeguards system, of the principle of safeguarding effectively the flow of source and special fissionable materials by use of instruments and other techniques at certain strategic points,

Affirming the principle that the benefits of peaceful applications of nuclear technology, including any technological by-products which may be derived by nuclear-weapon States from the development of nuclear explosive devices, should be available for peaceful purposes to all Parties of the Treaty, whether nuclear-weapon or non-nuclear weapon States,

Convinced that, in furtherance of this principle, all Parties to the Treaty are entitled to participate in the fullest possible exchange of scientific information for, and to contribute alone or in cooperation with other States to, the further development of the applications of atomic energy for peaceful purposes,
Declaring their intention to achieve at the earliest possible date the cessation of the nuclear arms race and to undertake effective measures in the direction of nuclear disarmament,

Urging the cooperation of all States in the attainment of this objective,

Recalling the determination expressed by the Parties to the 1963 Treaty banning nuclear weapon tests in the atmosphere, in outer space and under water in its Preamble to seek to achieve the discontinuance of all test explosions of nuclear weapons for all time and to continue negotiations to this end,

Desiring to further the easing of international tension and the strengthening of trust between States in order to facilitate the cessation of the manufacture of nuclear weapons, the liquidation of all their existing stockpiles, and the elimination from national arsenals of nuclear weapons and the means of their delivery pursuant to a Treaty on general and complete disarmament under strict and effective international control,

Recalling that, in accordance with the Charter of the United Nations, States must refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the Purposes of the United Nations, and that the establishment and maintenance of international peace and security are to be promoted with the least diversion for armaments of the world's human and economic resources,

Have agreed as follows:

**Article I**
Each nuclear-weapon State Party to the Treaty undertakes not to transfer to any recipient whatsoever nuclear weapons or other nuclear explosive devices or control over such weapons or explosive devices directly, or indirectly; and not in any way to assist, encourage, or induce any non-nuclear weapon State to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices, or control over such weapons or explosive devices.

**Article II**
Each non-nuclear-weapon State Party to the Treaty undertakes not to receive the transfer from any transferor whatsoever of nuclear weapons or other nuclear explosive devices or of control over such weapons or explosive devices directly, or indirectly; not to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices; and not to seek or receive any assistance in the manufacture of nuclear weapons or other nuclear explosive devices.

**Article III**
1. Each non-nuclear-weapon State Party to the Treaty undertakes to accept safeguards, as set forth in an agreement to be negotiated and concluded with
the International Atomic Energy Agency in accordance with the Statute of the International Atomic Energy Agency and the Agency's safeguards system, for the exclusive purpose of verification of the fulfillment of its obligations assumed under this Treaty with a view to preventing diversion of nuclear energy from peaceful uses to nuclear weapons or other nuclear explosive devices. Procedures for the safeguards required by this article shall be followed with respect to source or special fissionable material whether it is being produced, processed or used in any principal nuclear facility or is outside any such facility. The safeguards required by this article shall be applied to all source or special fissionable material in all peaceful nuclear activities within the territory of such State, under its jurisdiction, or carried out under its control anywhere.

2. Each State Party to the Treaty undertakes not to provide: (a) source or special fissionable material, or (b) equipment or material especially designed or prepared for the processing, use or production of special fissionable material, to any non-nuclear-weapon State for peaceful purposes, unless the source or special fissionable material shall be subject to the safeguards required by this article.

3. The safeguards required by this article shall be implemented in a manner designed to comply with article IV of this Treaty, and to avoid hampering the economic or technological development of the Parties or international cooperation in the field of peaceful nuclear activities, including the international exchange of nuclear material and equipment for the processing, use or production of nuclear material for peaceful purposes in accordance with the provisions of this article and the principle of safeguarding set forth in the Preamble of the Treaty.

4. Non-nuclear-weapon States Party to the Treaty shall conclude agreements with the International Atomic Energy Agency to meet the requirements of this article either individually or together with other States in accordance with the Statute of the International Atomic Energy Agency. Negotiation of such agreements shall commence within 180 days from the original entry into force of this Treaty. For States depositing their instruments of ratification or accession after the 180-day period, negotiation of such agreements shall commence not later than the date of such deposit. Such agreements shall enter into force not later than eighteen months after the date of initiation of negotiations.

**Article IV**

1. Nothing in this Treaty shall be interpreted as affecting the inalienable right of all the Parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes without discrimination and in conformity with articles I and II of this Treaty.

2. All the Parties to the Treaty undertake to facilitate, and have the right to participate in, the fullest possible exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy. Parties to the Treaty in a position to do so shall also cooperate in
contributing alone or together with other States or international organizations to the further development of the applications of nuclear energy for peaceful purposes, especially in the territories of non-nuclear-weapon States Party to the Treaty, with due consideration for the needs of the developing areas of the world.

Article V
Each party to the Treaty undertakes to take appropriate measures to ensure that, in accordance with this Treaty, under appropriate international observation and through appropriate international procedures, potential benefits from any peaceful applications of nuclear explosions will be made available to non-nuclear-weapon States Party to the Treaty on a nondiscriminatory basis and that the charge to such Parties for the explosive devices used will be as low as possible and exclude any charge for research and development. Non-nuclear-weapon States Party to the Treaty shall be able to obtain such benefits, pursuant to a special international agreement or agreements, through an appropriate international body with adequate representation of non-nuclear-weapon States. Negotiations on this subject shall commence as soon as possible after the Treaty enters into force. Non-nuclear-weapon States Party to the Treaty so desiring may also obtain such benefits pursuant to bilateral agreements.

Article VI
Each of the Parties to the Treaty undertakes to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a Treaty on general and complete disarmament under strict and effective international control.

Article VII
Nothing in this Treaty affects the right of any group of States to conclude regional treaties in order to assure the total absence of nuclear weapons in their respective territories.

Article VIII
1. Any Party to the Treaty may propose amendments to this Treaty. The text of any proposed amendment shall be submitted to the Depositary Governments which shall circulate it to all Parties to the Treaty. Thereupon, if requested to do so by one-third or more of the Parties to the Treaty, the Depositary Governments shall convene a conference, to which they shall invite all the Parties to the Treaty, to consider such an amendment.

2. Any amendment to this Treaty must be approved by a majority of the votes of all the Parties to the Treaty, including the votes of all nuclear-weapon States Party to the Treaty and all other Parties which, on the date the amendment is circulated, are members of the Board of Governors of the International Atomic Energy Agency. The amendment shall enter into force for each Party that deposits its instrument of ratification of the amendment upon the deposit of such instruments of ratification by a majority of all the Parties, including the instruments of ratification of all nuclear-weapon States Party to the Treaty and all other Parties which, on the date the amendment is circulated, are
members of the Board of Governors of the International Atomic Energy Agency. Thereafter, it shall enter into force for any other Party upon the deposit of its instrument of ratification of the amendment.

3. Five years after the entry into force of this Treaty, a conference of Parties to the Treaty shall be held in Geneva, Switzerland, in order to review the operation of this Treaty with a view to assuring that the purposes of the Preamble and the provisions of the Treaty are being realized. At intervals of five years thereafter, a majority of the Parties to the Treaty may obtain, by submitting a proposal to this effect to the Depositary Governments, the convening of further conferences with the same objective of reviewing the operation of the Treaty.

**Article IX**

1. This Treaty shall be open to all States for signature. Any State which does not sign the Treaty before its entry into force in accordance with paragraph 3 of this article may accede to it at any time.

2. This Treaty shall be subject to ratification by signatory States. Instruments of ratification and instruments of accession shall be deposited with the Governments of the United States of America, the United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics, which are hereby designated the Depositary Governments.

3. This Treaty shall enter into force after its ratification by the States, the Governments of which are designated Depositaries of the Treaty, and forty other States signatory to this Treaty and the deposit of their instruments of ratification. For the purposes of this Treaty, a nuclear-weapon State is one which has manufactured and exploded a nuclear weapon or other nuclear explosive device prior to January 1, 1967.

4. For States whose instruments of ratification or accession are deposited subsequent to the entry into force of this Treaty, it shall enter into force on the date of the deposit of their instruments of ratification or accession.

5. The Depositary Governments shall promptly inform all signatory and acceding States of the date of each signature, the date of deposit of each instrument of ratification or of accession, the date of the entry into force of this Treaty, and the date of receipt of any requests for convening a conference or other notices.

6. This Treaty shall be registered by the Depositary Governments pursuant to article 102 of the Charter of the United Nations.

**Article X**

1. Each Party shall in exercising its national sovereignty have the right to withdraw from the Treaty if it decides that extraordinary events, related to the subject matter of this Treaty, have jeopardized the supreme interests of its country. It shall give notice of such withdrawal to all other Parties to the Treaty and to the United Nations Security Council three months in advance. Such notice shall include a statement of the extraordinary events it regards as having jeopardized its supreme interests.
2. Twenty-five years after the entry into force of the Treaty, a conference shall be convened to decide whether the Treaty shall continue in force indefinitely, or shall be extended for an additional fixed period or periods. This decision shall be taken by a majority of the Parties to the Treaty.

Article XI
This Treaty, the English, Russian, French, Spanish and Chinese texts of which are equally authentic, shall be deposited in the archives of the Depositary Governments. Duly certified copies of this Treaty shall be transmitted by the Depositary Governments to the Governments of the signatory and acceding States. IN WITNESS WHEREOF the undersigned, duly authorized, have signed this Treaty. DONE in triplicate, at the cities of Washington, London and Moscow, this first day of July one thousand nine hundred sixty-eight.