ADOPTION OF RESISTANCE ECONOMY AND IRAN'S DEVELOPMENT UNDER THE INTERNATIONAL SANCTION REGIME, 2005-2013

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Abstract

This study investigated the adoption of the doctrine of resistance economy and Iran's development under the international sanction regime between 2005 and 2013. It is set to examine if the resistance economic principles sustained Iran's development despite the enforcement of the international sanctions between 2005 and 2013, and also determine how the policy goals of the doctrine contributed to Iran's development especially in the areas of trade, finances and foreign investment. The time series research design was employed to guide the study. The data for the study were generated mainly from secondary source, which are documentaries from available literatures on the subject matter. Data in the study were analyzed using content analysis technique while Resistance economic policy model was adopted as theoretical framework. The study found that the resistant economic policy became a survival strategy that helped the Iranian people to cope with the impact of the international sanctions in their daily lives. Iran witnessed growth in trade, finance and foreign investment. The country shifted from an oil-based economy to an inward-oriented, knowledge-based economy. Based on these findings, the study recommended the following: that an immediate lifting of economic sanctions on Iran especially on the imports and exports of sensitive goods. Economic cooperation instead of confrontation should be encouraged between Iran and the West as a way to advance the interests of all sides. 3). Strengthening of the democratic forces in Iran in order to facilitate the emergence of a more democratic and secular Iran that would not seek nuclear weapons.

Keywords: International sanction, economic impacts, coping strategy, resistance economy, Ahmadinejad, Iran

Background to the Study

Before the imposition of sanctions on Iran in 1979, Iran's economic development was rapid. The country's growth rates in Gross Domestic Product (GDP), and consumption were within the range of 10 to 12% (Jahangir, 1992). The higher revenues from petroleum during the 1970's financed vastly expanded public investment and consumption so much that, by 1975 public investment exceeded private investment by 50 percent and public consumption was equal to 50 percent of private consumption.

According to World Development Report (1979), between 1946 and 1979, Iran's economy was gradually transformed from a largely farm-based economy to a modern society by way of major changes in the traditional socio-economic order. Through public planning, urbanization, industrialization, diversification, and infrastructural investment, Iran guided her economy and achieved sustained growth. Data published by the World Bank show that, between 1960 and 1977, Iran's annual growth rate of nearly 9.6 percent was higher than the average of most developing group of countries in the world.

Jahangir Amuzegar (1992) notes that Iran achieved impressive growth rates in areas such as investment, savings, consumption, employment, and per capita income. Inflation was kept at a low rate until 1974, when the oil boom pushed price indices to double-digit heights. The overall external payments balance for much of the 1970s was positive. The Iranian rial was also in a convertible currency. The exchange and trading system was liberal even by Western standards. Government finances, while in deficit, were in good order, and internal debt was easily manageable as was external borrowing. Iran's pre-revolution economy was far from stagnant. It registered positive growth every year between 1963 and 1977. Oil income served as the mainstay of foreign exchange needs for infrastructural expansion and investment.

During that period, Shah Reza's ultimate objective was to strengthen the Iranian state by achieving economic development. His regime operated a welfare state. To create some of the trappings of a welfare state, the Shah modified labor legislation in order to provide workers with fringe benefits, profit sharing and job security. Free education was also provided from nursery school through universities. To promote this, the regime nationalized the private schools. Social security, disability benefits and free health care were created. The funding was to be shared by the workers, their employers and the State. This raised the cost of employing labor and contributed to unemployment. Licensing, tax policy and tariff protection were policy instruments used by the government to control who could and who could not do business.

The regime made available low-cost capital to industrial businesses favored by the government. This, combined with higher cost of labor, promoted more capital-intensive technology. The businesses created under this program were dependent upon government subsidies and protection. Direct foreign investment in Iran was encouraged. This too were dependent upon governmental favors and protection. The role of the government in protecting and subsidizing industry opened the way for corruption of government officials by actual and potential recipients of these government favors.

The Shah also forced a land reform program which alienated certain category of persons from his program. Price controls were imposed upon businesses and their profit margins were limited to 15 percent. To enforce the price control policy, the Government mobilized students to check prices and impose penalties. This earned the Shah the hatred of businesses. According to Hooshang Amirahmadi (1990), the Shah's regime was castigated for having adopted a Western development model that made the country's economic survival and prosperity dependent on foreign raw materials, managerial know-how, technology and trade. The regime was also faulted for the too-rapid exploitation of oil reserves, insufficient investment in agriculture, scant attention to non-oil exports and a promotion of a 'consumerist' economy.

Shah Reza's development strategy and socio-economic policies were a matter of controversy which promoted a growing public dissatisfaction especially, among some highly-placed people with theocratic ideological tendencies, who cleaved behind Ayatollah Ruhollah Khomeini. They believed that an appropriate Islamic model, that could develop a healthy economy and reduce the country's economic dependence on the outside world, must be applied to correct these wrongs. It was these radical elements who contributed to finance the revolution of 1979 (Hooshang, A.1990).

Before the 1979 revolution in Iran, the United States was among Iran's committed commercial partners. After the revolution, the relations between Iran and the United States deteriorated. It began when a group of Iranian students attacked American embassy in Teheran and took more than 60 diplomats as hostage. The United States in response, imposed a ban on Iran's oil and froze Iran's assets in the US. In 1981 the hostages were freed and in line with the agreement reached to free the hostages, the US lifted the trade sanctions but left the financial sanctions to remain.

The year 1983 saw America imposing another round of sanctions on Iran in response to America's allegation of Iran's bomb attacks on the multi-national force in Lebanon which killed an American soldier. Nonetheless, U.S. oil companies continued to extract Iran's crude oil for import to the U.S. The imports of all Iranian goods and services to the United States were banned in 1987 and the U.S. oil companies were prohibited from importing Iranian oil for domestic consumption.

After the revolution of 1979, Iran began to, kind of 'Islamize' her economy. The 1979 constitution served as an initial step towards this purpose. In the constitution, the chapters dealing with economic matters declared that Iran's economy is not an "end in itself" but only a "means" of moving towards God. To this end, the constitution abolished all forms of not-satisfied needs with respect to life's basic necessities and to attain national self-sufficiency in output, science, and technology.

In line with these constitutional provisions, series of measures were taken to expand the role of the state in the economy beyond what had been the case under the Shah. All major industries were taken over from private owner- managers and placed in state hands. Banking and insurance were totally nationalized. Thousands of business firms in farming, industry, and trade that belonged to supporters of the previous regime were confiscated and turned over to a number of new revolutionary foundations.

Some notable events that occurred in Iran between 1988 and 1990 ushered in a new era in the Islamic republic. These include the end of the Iran-Iraq war in August 1988, the death of Ayatollah Khomeini in June 1989, the need for reconstruction, and problems from delayed development. As a result of these events, the ideological compass shifted in the direction of practical considerations and fiscal realism. The election of Ali Akbar Hashemi-Rafsanjani to the presidency, following an amendment to the constitution, and the inauguration of the Five-Year Development Plan (1989/90-1993/94) also provided motivation for a shift in development strategy, and changes in economic policy.

Iran's economy during the early years of President Mahmoud Ahmadinejad's regime, 2005-2013, experienced negative growth. The regime was met with a freeze on its badly-needed foreign assets, a trade embargo, and harsh economic sanctions by the U.N. Security Council, based on Resolutions 1737 and 1747. The sanctions led to higher inflation rate, rationing of gasoline, lower non-oil exports, and less foreign direct investment. The U.N. Security Council sanctions were supported by the international community, which placed greater pressure on the Iranian economy, effectively tying the hands of Ahmadinejad's regime and encouraging it to react in a more accurate way. Ahmadinejad's regime believed that since economic sanctions have already been imposed on Iran and the country has weathered these hardships in the past, it would be able to minimize the negative outcomes of the sanctions.

To deal with the sanctions, the regime adopted an economic strategy it captioned "the policy of resistance economy'. It was an economic program designed by Iran to enable her resist the impact of the sanctions. Iran also developed a closer relationship with Russia, China and India, among others, in an effort to enhance its international collaborations. Trade relations with smaller Islamic and non-aligned nations were also enhanced.

Over the years, the US have struggled to gain international support to use sanctions to sway Iran's policies. However, it was not until late 2005 after the election of President Mahmoud Ahmadinejad that US efforts gained international attraction. After Ahmadinejad's election, European Union (EU) member countries met and began to thinker the need to use sanctions as response to Iran's nuclear program. Their aim was to impair Iran's economy and finally, sabotage her nuclear program. As Younis (2013), rightly observed, most Iranian citizens blame the Western countries rather than their government for the harsh economic sanctions on Iran.

Kazemzadeh (2007) noted that Iran recommenced her nuclear program after the election victory of Mahmoud Ahmadinejad in 2005. During that period, he began to operate in a way that could establish the country as a great, major power in the Middle East region. Following constant breakdown of negotiations between Iran and some European countries like United Kingdom, Germany and France on the need to curtail Iran's nuclear activities, these EU countries agreed to adopt a more forceful approach against Iran. In addition to the successful campaign of the US government at the time, the EU countries reported Iran to the United Nations Security Council (Takeyh and Maloney, 2011).

In 2006 when it became obvious to the international community that Iran was secretly continuing with its nuclear program, the International Atomic Energy Agency (IAEA), found Iran guilty of not complying with its obligations. After the collapse of further negotiations with Iran, the UN Security Council through Resolution 1737 applied the first in a chain of sanctions against Iran. Further sanctions later followed under Resolution 1747, 1803, 1835 and 1929. The imposition of these sanctions not only made Iran to become one of the most sanctioned states in the world, it also caused a downturn on her economy: crude oil decreased, inflation rate increased, unemployment rate rose, prices of commodities rose, domestic products fell and currency declined.

The impact of the sanctions on Iran have triggered an unwholesome debate among researchers (For example: Majidpour 2013; Bapat & Morgan 2009; Bassiri& Hanau 2012; Khajehpour et al. 2013; Portela 2014; Maloney 2010; Takeyh& Maloney 2011; International Crisis Group 2013). Scholars have researched on the diverse influence of the sanctions: its successes and failures, especially from the viewpoint of sanction senders. They have also examined the effects of the sanctions on the power structure and economy of Iran. However, issues about how Iran was able to cope with the sanctions, has remained largely unexplored. In the light of this, this study seeks to examine how Iran's economy under President Mahmoud Ahmadinejad persevered in the face of intensifying sanctions between 2005 and 2013. The study was delineated to this period because it was the period when issues about Iran's nuclear program gained global attention and became an international crisis.

Statement of the Problem

Iran is endowed with massive hydrocarbon resources, with oil as its most important source of revenue and pivotal in funding government expenditures. Before the imposition of international sanctions, Iranian crude oil and natural gas exports accounted for 18 percent of its Gross Domestic Product, GDP and about one-quarter of government revenues (Henry Rome, 2021).

In 2003, some European Union member countries namely France, Germany, and the United Kingdom began negotiation with Iran following the revelation that Iran had been secretly constructing a uranium enrichment facility at Natanz and a heavy water production plant at Arak. But following the election of Mahmoud Ahmadinejad as president in 2005, negotiations collapsed and Iran ended its suspension of uranium conversion. In 2006, the International Atomic Energy Agency (IAEA), formally referred Iran to the UN Security Council, accusing Iran of non-compliance with its obligations. After another round of negotiations collapsed in summer 2006, the Security Council adopted the first in a series of sanctions resolutions against Iran.

Between 2006 and 2010, the United Nations Security Council passed a total number of six resolutions that targeted Iran's nuclear and ballistic missile programs. While the sanctions were limited in scope, they provided international legal justification for more expansive sanctions. Resolution 1929 for example, specifically noted the possible connection between Iran's revenues derived from its energy sector and the funding of Iran's sensitive nuclear activities. This particular resolution led to European countries' action targeting Iran's oil and gas sectors, and eventually paved way for a full EU ban of Iranian oil. Japan and South Korea also imposed trade and energy sanctions on Iran in 2010. Both nations also substantially reduced purchases of Iranian crude oil.

UNSC Resolution 1747 of 2007 designated Iran's Bank Sepah for its support of the Iranian Aerospace Industries Organization, while UNSC Resolution 1803 of 2008called for increased scrutiny of the financial activities of Iranian banks, specifically Bank Melli and Bank Saderat, as well as their branches and subsidiaries abroad, because they may be contributing to the development of proliferation of nuclear weapons delivery systems.

The fundamental goal of the financial sanctions on Iran was to exclude the country from the global financial market, limiting its access to funds that may be used for proliferation and military activities. As a result of the international sanctions on Iran, every sector of Iran's economy has had serious financial challenge (Takeyh, 2016). According to the April 2021 edition of the US Congressional Service Report on the sanctions on Iran, between 2006 and 2016, the US made enormous efforts to deter other countries and international bodies from processing transactions involving Iranian citizens. The message was that Iran was funding terrorist groups and pursuing nuclear weapons, hence engaging with Iran's financial institutions constituted a significant regulatory risk.

The sanctions imposed on Iran by the United Nations and European Union countries expanded the scope of secondary sanctions imposed on Iran by the US, which targeted countries or companies that do business with Iran, particularly non-American companies. The sanctions prohibited nearly all engagement with Iran's financial and energy sectors, thereby affecting Iran's economic sectors very badly. The sanctions also forced foreign banks operating in Iran to exit the country. To a large extent, Iran became cut off from the global financial system as the country lacked the ability to engage in significant international trade. This made Iran's currency reserves to dwindle, and the value of its currency to depreciate significantly. As a result of this, funding trade became incredibly difficult. The country tried to inject more cash into government by selling oil via non-government brokers and on its stock market.

Iran's economic structure is a bank-oriented system. It is widely believed that the financial system of any country is widely dependent on the banking industry of that country and its strength and development are vital for economic prosperity (Bouzari et al. 2020). According to Keimasi et al. (2016),Iran's economic vulnerability to sanctions increased because of the extensive financial support of the banking system for the government. It could be noted that Iranian banks are in specific conditions and their performance cannot be compared with other groups of banks worldwide because of some reasons like the crippling international sanctions, un-sustainable economy, and unstable inflation.

The economic challenges of Iran becamemore serious in 2006 when the United States took the decision to cut off Bank Saderat - one of Iran's largest banks- from the American financial system. Over time, the United States systematically froze the assets of Iran's four most significant banks and deprived them from any remaining access to the US (Hamid S. et al, 2008). Emboldened by the success of US action, other countries joined the battle.Iran's financial sector is subjected to concerted pressure by international institutions such as the Financial Action Task Force (FATF), and the European Union (EU). The Financial Action Task Force (FATF) - a group of experts from the world's leading economies which includes Russia, China and the Gulf Cooperation Council - issued a statement in 2007 directing member countries to advise their banks about Iran's worrisome financial practices.

The United States adopted what it referred to as “scorched earth tactics” as an economic warfare against

Iran. The strategy goes much beyond the financial sanctions and the oil export embargo that it originally had in place. The strategy targets Iran's metal and petrochemical exports. It designates Iran's Revolutionary Guard, which is deeply entrenched in Iran's economic and political life, as a terrorist organization. It also blacklists Iran's supreme leader Ayatollah Ali Khamenei and the minister of foreign affairs Mohammad Javad Zarif, thereby closing off all official diplomatic channels. The motive behind this is to completely isolate Iran from the rest of the world through the extraterritorial effect of the sanctions, playing on the fear of non-US companies and financial institutions to fall foul to US fines (Niels de Hoog, 2019).

The financial sanctions on Iran exclude the country from the worldwide messaging system used to arrange international money transfers, making international payments very difficult and constraining other bilateral economic flows (Dizaji and Van Bergeijk 2013). Also, in Iran, commercial banks are prohibited from investing in the production of luxury and non-essential consumer goods. Commercial banks only engage in authorized banking operations with state-owned institutions, government-affiliated organizations, and public corporations. The funds received as commissions, fees, and returns constitute bank income and cannot be divided among depositors (Muhammad Akram, 2013)

Iran is not a member of the World Trade Organization -WTO, and its business practices do not meet international standards in most cases. Apart from this, there are other hindrances of doing business in Iran, which presents additional challenges when it comes to implementing agreements with foreign partners. Iran's economic isolation which came as a result of the prohibitions on export or supply of certain goods; import, purchase or transport of certain goods; restrictions on the provision of certain activities and its unpredictable foreign policy environment are some of the key factors that affect the country's development in the area of trade, financial sector and foreign investment.

Having a full-scale trade agreement between Iran and other countries in 2005-2013 cannot hold, as long as the international sanctions on Iran remains in place. This is the case between Iran and the Eurasia Economic Union - EAEU countries. What the pattern of trade settled for between all sides is in accordance with the provisions of the sanctions which compelled the EAEU imports to be primarily based on agricultural products.

The notion of fostering business cooperation between Iran and the EAEU fits comfortably into Iran's strategy of turning to Asia and its markets. The move began to take shape in the early 2000s and was mainly motivated by the growing need in energy resources of the rapidly developing Asian economies, such as China and India. However, sanctions made Iran to become disenchanted with the idea of promoting economic ties with Europe, as businesses in the EU turned out to be most sensitive to the restrictions imposed by the international sanctions.

It could also be stated that between 2005 and 2013, there was an uneven distribution of trade between the individual EAEU countries and Iran. For example, Russia accounts for approximately 75% of all trade between the EAEU and Iran, which is around 85% of exports and 65% of imports. Kazakhstan accumulates some 10% of the total trade turnover, with its trade volume shrinking by 37% in 2020, as opposed to the trade with the EAEU as a whole. Meanwhile, the share of Belarus and Kyrgyzstan is almost next to nothing (Nikita,S. 2021).

Turkey happened to be one of Iran's trading partners outside the EAEU countries. Soon after taking office in March 2003, the Turkish government signed an order aimed at promoting cross-border trade by lowering customs tariffs on agricultural goods imported from Iran, Syria, and Iraq. In order to boost cross-border trade, both countries promoted and improved joint customs gateways.

Under its capacity as the temporary seat holder in the UN Security Council, Turkey opposed a new round of UN sanctions against Iran in June 2010. Iran has an economic incentive to keep its relations with Turkey on a positive track because Turkey provided a favorable market for Iran's energy exports and a potential supply hub for other important items.

According to Gareth Jenkins (1991), Turkish exports to Iran increased considerably from less than three hundred million US dollars to above three and a half billion in the early 2010s. Turkish exports to Iran included precious and semi-precious stones; precious metals; pearls; coins; boilers; machinery; mechanical equipment and tools; knitted apparel and accessories; plastics and plastic ware; wood and woodenware; motor vehicles and their spare parts; electrical machinery and equipment and accessories; synthetic and artificial non-continuous fibres; steel products and textiles.

Sanctions have equally made the attraction of foreign direct investment into Iran to become difficult. It prohibits foreign investors from purchasing shares in Iranian established companies whether in the private or public sector. Some foreign investors who may wish to take the risk to conduct business with Iran feel that doing so may not worth the risk.

Between 2005 and 2013, during the regime of President Mahmoud Ahmadinejad, the impact of international sanctions on Iran became a big challenge to him. In an effort to counter the effect of the sanctions, Ahmadinejad implemented a self-styled economic strategy he called “the policy of resistant economy”. This study has the objective of determine how the doctrine of resistance economy sustained Iran's development despite the enforcement of international sanctions.

Iran's economic development before and after the revolution

Iran was slowly transformed from a mostly farm-based economy to a modern society between1946 and 1979 as a result of radical changes in the conventional socio-economic order. Public planning, urbanization, industrialization, diversification, and infrastructure investment were all used to achieve this transition (Jahangir, 1992).

The Iranian government aided the private sector by controlling imports, providing management assistance, and providing low-cost finance, resulting in an effectively free-market economy. During those years, the government was able to accomplish the majority of its economic, social, and military goals. Iran's annual growth rate was about double the average of countries in its category, according to data from the World Development Report from 1979.Investments, savings, consumption, employment, and per-capita income all had significant growth rates during this time period.

Until 1974, when the oil boom pushed price indices into the double digits, inflation was controlled at a moderate level. The system of exchange and trading was open. Even though the government's finances were in bad shape, domestic debt and foreign borrowing were both manageable. Iran's economy was far from sluggish before to the revolution. Between 1963 and 1977, it saw annual positive growth, and unemployment was modest and localized. Although oil revenue was utilized to buy a large number of advanced weapons, it was also used to meet the country's foreign exchange demands for infrastructure construction and investment (Jahangi A, 1991).

The religious elements who rallied behind Ayatollah Khomeini and eventually defeated the revolutionary groups against Shah Pahlavi had no clear economic goal other than to condemn the Shah's strategy and policies. The Sha administration was chastised for adopting a Western growth model that rendered the country's economic survival and prosperity reliant on imported raw supplies, managerial expertise, technology, and trade. The dictatorship was also criticised for over-exploiting oil reserves, inadequate agricultural investment, an over-reliance on oil export income to fund domestic public expenditure, a lack of attention to non-oil exports, an increasing divide between individual classes, and the promotion of a consumerist economy (Hooshang, 1990).

The supporters of Ayatollah Khomeini, with an aim to develop a healthy economy, came up with an Islamic model that was drawn from different ideological tendencies within the clerical hierarchy. The Iranian constitution of 1979 served as the initials step toward the Islamisation of Iranian economy. The 1979 constitution described Iranian economy as “a means of moving towards God”. The constitution prescribed a system wherein a benevolent theocratic government controls the vital areas of the economy – industry, banking, insurance, foreign trade and public utilities. The most specific action taken in the direction of economic Islamisation was the enactment of interest-free banking legislation in 1982. Islamic transaction modes replaced regular bank lending practices, and bank depositors, instead of being creditors, became partners in profit sharing.

With the death of Ayatollah Khomeini, the end of the war with Iraq, and the need for reconstruction; the ideological compass shifted in the direction of pragmatic consideration and fiscal realism. The election of Ali Akbar Hashemi-Rafsanjani as President provided impetus for a shift in development strategy and changes in economic policy. The regime's new socio-economic orientation and agenda began to overshadow revolutionary slogans and religious dogma, making government's declarations and actions to differ from the ideas and ideals expressed at the onset of the revolution. In the 13 years since the revolution, the Iranian economy has experienced four cycles: a deep recession immediately after the establishment of the Islamic republic in 1979; a strong revival between 1981 and 1986; a mild recession between 1987 and 1989; and a respectable recovery since the end of war with Iraq. Despite the regime's early intention of reducing dependence on the petroleum sector, during this entire 13-year period, the economy has been tied to oil revenues.

Some internal factors that affected the country's economic course includes political turmoil, mass exodus of talent and capital, economic uncertainties regarding private property, ideological strictures relating to wealth and income, legal ambiguities concerning land tenure, and the preference for Islamic commitment over professional expertise in the choice of managers. A few external factors include the war with Iraq, fluctuations in world oil prices, freezing of Iran's foreign exchange assets abroad following the seizure of the US embassy and hostages, Western sanctions, diplomatic isolation and the influx of refugees from Afghanistan and Iraq.

According to New York Times of May 28, 1991, and July 2, 1991, there appear to be a major policy shift from the past as Iranian government now admits that regulation and regimentation have been harmful to the economy. Through series of laws and cabinet decisions, the private sector is now ask to participate in non-strategic manufacturing, social services, transportation, tourism, and trade. The policies designed to achieve some of these objectives relates to tax laws, import export regulations, accounting procedures, exchange system, and monetary and banking guidelines.

Iran's foreign investment law, known as the "Foreign Investment Promotion and Protection Act" (FIPPA), was ratified by the Iranian Parliament in 2002.The Foreign Investment Promotion and Protection Act (FIPPA) replaced the Law for the "Attraction and Protection of Foreign Investment," which had been in existence since 1955.The Iranian government's efforts to attract foreign direct investment (FDI) are hampered by restrictive operating restrictions and international sanctions. Foreign enterprises in Iran are subject to two forms of legislation.

These are laws that specifically address difficulties affecting international companies, such as the Foreign Investment Promotion and Protection Act (FIPPA), and the general laws that handle foreign companies through specific articles or by-laws, such as the Taxation Law and the Labor Law. The environment in Iran is protected by rigorous legislation, and the Department of the Environment is in charge of assessing the projects' impact and monitoring them.

According to the World Economic Forum's Global Competitiveness Report of 2010, Iran is rated 62nd out of 142 nations in terms of global competitiveness. According to the Teheran Times on August 9, 2011, Iran occupies the 6th position in the world in attracting foreign investment in 2010. Foreign investors interested in Iran have centered their efforts in industries such as oil and gas, vehicle manufacture, copper mining, petrochemicals, food, and pharmaceuticals. Over 50 countries invested in Iran between 1992 and 2008, with Asia and Europe receiving the most (Iran Daily, April 10, 2007).

Despite multilateral and unilateral sanctions, Iran's foreign direct investment (FDI) reached a new high in 2010, surpassing 3.6 billion dollars, according to the United Nations Conference on Trade and Development (UNCTAD). Iran's government requires up to $300 billion in foreign direct investment to accomplish the goals of its Five-Year Economic Development Plan (2010–2015) and achieve an annual growth rate of 8% (Teheran Times, 2013).

Iran's Decades of Sanctions

The history of imposing sanctions on Iran dates back to the Iran's oil nationalization in 1951 when the Iranian government nationalized the oil industry, kicking out the Anglo-Persian oil company and setting up the National Iranian Oil Company (Liudmila & Ehsan, 2016). The U.S. imposed the first sanctions on Iran in 1979 after a group of Iranian students occupied the American Embassy in Tehran and took American citizens inside, hostage. Executive Order 12170 sanctions banned trade with Iran and froze their assets. When the hostages were freed, the prohibition was lifted. America levied another penalty on Iran in 1987, accusing Iran of promoting foreign terrorism across the Persian Gulf. The sanctions were further broadened in 1995 to include businesses that trade with Iran (Davis, 2003; Allen, 2013).

Garfield (1997) and Pekson (2011) notes that the US has been lobbying for international support since 1979 against Iran's nuclear research program scheme, which the US believes is intended to be used for nuclear weapons development, as opposed to Iran's arguments that the program is for civilian purposes. They were given as reason for imposing tougher economic sanctions on Iran when nuclear negotiations between western governments and Iran failed. In 1984, for repeatedly endorsing acts of international terrorism, the US State Department classified Iran as a state sponsor of terrorism. The classification carried another round of sweeping US penalty with it.

In August 1996, the US Congress passed the Iran-Libya Sanctions Act, later known as the Iran Sanctions Act. The act sought to penalize entities for investing in Iran's petroleum industry, which could give it access to funds to develop or acquire weapons of mass destruction or finance terrorism. The law required the United States to slap sanctions on foreign companies that invest more than $20 million a year in Iran's oil or gas sector. The sanctions however, were not implemented, until 2010 due to protests by European countries.

Between 1996 and 1997, Bill Clinton, the then president of the United States, released executive orders banning the sale to the U.S. of all goods and services from the United States to Iran or from Iran. This was followed by the 2006 sanctions adopted by UN Security Council Resolutions 1696 and 1737, which ordered Iran to suspend all work-related to its uranium production program. More sanctions were imposed on Iran by the UN Security Council in resolutions 1747, 1803, 1835, 1929, 1984, 2049 and 2231. This was in a further effort to force Iran to take the path of peace and abandon its proposed nuclear program (Garfield, 1997; Ronzitti, 2016).

In 2007, Resolution 1747 placed an arms embargo on Iran and extended the list of individuals and Iranian firms sanctioned. Resolution 1803 of 2008 extended the freezing of assets and called on States to monitor the activities of Iranian banks, to inspect Iranian ships and aircraft, and to monitor the movement across their territory of individuals participating in the scheme. Resolution 1835 of 2008 and Resolution 1929 of 2010 prohibited Iran from engaging in aerial missile-related matters, tightened the weapons embargo and imposed a travel embargo on persons linked to the nuclear program. Iran's Revolutionary Guard and Iran Shipping Lines' funds were also frozen by the Resolution. It also mandated countries to scrutinize loads coming from Iran extensively, not to develop branches of Iranian banks in their countries or to do business with Iran if such business would be such that Iran's nuclear ambition could be advanced in any way.

Resolution 1984 of 2011 extended the mandate of the panel of experts that supports the Iran sanctions committee for a year while Resolution 2049 of 2012 renewed the mandate of the Committee's Panel of Experts for 13 months. In July 14, 2015, Iran signed an interim agreement with six countries in Switzerland known as the Joint Comprehensive Plan of Action (JCPOA). The countries are the US, UK, China, France, Germany and Russia. This was popularly referred to by the media as P5+1.

Under the agreement, Iran accepted to curtail its nuclear activities in exchange for the lifting of sanctions. Resolution 2231 was later passed to endorse the nuclear deal and to see to the lifting of Security Council nuclear-related sanctions on Iran once conditions outlined in the deal are met. Iran and the P5+1 countries formally adopted the nuclear deal in October 2015 and Iran began taking steps to curb its nuclear program.

In addition, Resolution 2231 of 2015 established the mode for the eventual lifting of the sanctions, with a provision to re-impose the sanctions if Iran failed to comply with the Joint Comprehensive Plan of Action. The IAEA confirmed in January 2016 that Iran had fulfilled its obligations under the nuclear deal. Implementation day was announced and Resolution 2231 of the UN Security Council came into effect. The US has suspended secondary nuclear-related sanctions against Iran, leaving the "primary" sanctions to remain in place.

Katzman (2017) notes that the administration of President Trump reluctantly renewed penalty waivers between the months of May, July and October 2017 and then directed Congress to revisit the JCPOA deal with a threat to terminate the agreement if his concerns about what he described as flaws in the deal were not resolved. President Trump announced on May 8, 2018 that the United States would no longer participate in the JCPOA and that all secondary U.S. penalties would be re-imposed. In November 2018, the US withdrawal from the nuclear deal finally began, bringing with it more US sanctions. After the reintroduction of secondary sanctions, the Iranian economy was barely affected. With thousands of barrels of oil slashed, its oil export capacity was heavily affected. The "rial" currency of Iran also dropped to a low record level against the dollar of the US. The reintroduction of secondary sanctions has also reduced Iran's access to the materials needed for its oil and energy sectors.

Various other scholars have shared different views in their investigation on the effects of sanctions on Iran's economic development. Aghazadeh (2014) explored the impact of western multilateral sanctions on the Iran's economy. The main result of his study confirmed a significant impact of sanctions on Iran's macroeconomic indicators, particularly on trade flows. Bazoobandi (2015) investigated the consequences of sanctions on Sino-Iranian relations. The results depicted that the Western sanctions were the driving force behind the development of various aspects of the relations between Iran and China.

Borszik (2015) tried to explain the effects of international sanctions against Iran and domestic responses of the country on the power structure of the targeted regime. The research results showed that international sanctions were initially harmful to the Iranian economy, but as long as the country used some strategies such as unofficial financial networks and finding new economic partners, her economic system has gradually become immune with the countering the economic sanctions.

Haidar (2016) investigated the relationship between sanctions and export deflection in Iran over the period 2006–2011. The main results concluded that two-thirds of the Iranian export volume deflected towards the non-sanctioning countries. Alternatively, some scholars are of the belief that the sanctions on Iran could backfire and make Iranians to support their leaders the more.

Jahangir Amuzegar (1997) argues that the US sanctions on Iran have neither fulfilled the predicted outcome nor adequate to seriously change Iran. Among others, Clawson (1998) shows that the sanctions have not made Iran to adjust its policy. Preeg (1999) is of the view that the gross assessment of the economic effect of U.S. sanctions on Iran is negative and believes the United States should consider lifting the sanctions.

Alikhani (2000) conducted a study of the sanctions against Iran from a political and historical standpoint and concludes that the sanctions have failed politically to change Iran's performance. Askari et al. (2001) investigated the effects of economic sanctions on Iran. They believed that despite substantial costs to both countries, Iran has not changed its policies. Torbat (2006) studied the impact of U.S. sanctions on financing surcharges, non-oil exports, imports of intermediate goods and the welfare losses. According to his estimation, Iran suffers $82.5 million, equivalent to 0.11% of its GDP, from not being able to import the necessary goods from the United States. Because oil is a fungible commodity, Torbat contends that financial penalties may be more successful than unilateral trade penalties because Iran can find substitute clients to replace the countries that have imposed sanctions on her. According to Torbat, Iran's economy is doing well in comparison to its Middle Eastern rivals.

Iran's financial hunger, according to Loeffler (2007), is a two-edged sword: the global banking network it has built to promote trade and commerce is sensitive to market jitters when international banks pull the plug. Regardless of how high the price of oil rises, Iran's petro-dollars, petro-euros, or petro-yen must be put to good use.

According to Gordon (2007), gaining more European support for isolating Iran will be challenging but not impossible. Despite European reluctance to enforce sanctions, Iran's economic and political isolation has grown as a result of a mix of increased American pressure, EU3 leadership, and Iranian actions. European banks have mostly stopped doing business with Iran, including Deutsche Bank, HSBC, and BNP Paribas. China and Russia, on the other hand, pose a greater threat. Despite Iran's persistent lack of clout, both countries have resisted more economic pressure, despite Iran's willingness to comply to Chapter VII UN Security Council resolutions deeming Iranian uranium enrichment illegal.

Iran's economy, according to Beehner (2007), is reliant on foreign finance and investment to develop its undeveloped oil deposits and nascent nuclear energy sector. Iran's core industry, oil and gas, may be harmed as a result of the sanctions, which deny Iran credit and other financial aid. Iran could be obliged to take out loans with more stringent terms and higher interest rates.

Askari (2007) believes that the sanction has not worked. According to him, the only discernible result of the sanction is the delay in Iran's development of energy resources. The U.S. policy for example, is based on the premise that lowering Iranian oil and gas exports would hurt Iranian revenues. But Askari argues that the policy has in fact lifted oil prices, which have increased Iranian revenues, although at lower export levels.

Iran's Policy of Resistance Economy

The word “resistance” has an intellectual connotation and emotional importance that is central to the Iran's identity. Adopting the phrase “resistance” in Iran's economic policies highlights the importance of a strong economy to the Iran's overall security. Iran's security strategy fundamentally rejects compromise with the United States and aspires to withstand the various military, economic, cultural, and political pressures of the U.S. and its regional allies (Toumaj, 2014).

In a decree issued on Feb. 19, 2014, Iran's Supreme Leader Ayatollah Ali Khamenei introduced the general policies of Iran's resistance economy. The doctrine of the resistance economy is a program of economic liberalization designed by Iran as a response to sanctions imposed on it. It binds economic policy-making in Iran to its objectives and builds an economically integrated regional bloc.(Toumaj, 2014).

The policy's general objective focuses on domestic capacity-building and is designed to strengthen Iran's economy against the pressure of sanctions. It is aimed at making Iran's economy resistant to all sanctions-related economic shocks.

Bijan (2014), observed that most of the objectives of the resistance economic policy were already defined in Iran's Vision 2025 document, previously established by a decree in 2005 by the supreme leader Ayatollah Ali Khamenei. The supreme leader believed that the Iranian economy has all it takes to be a developed economy, with its natural, human and geo-strategic resources, which could play a much larger role on the international stage. He had thus drafted the Vision 2025 document to call on the Iranian government to pave the way to enable the country become a knowledge-based economy with an economic, regional and technological power in the year 2025. Bijan (2014), outlined some of the major goals of the policy as follows:

- To build internal capacity using local resources to focus on participation in wealth generation by lower and middle-income classes
- To support and operate the Gulf region's best, knowledge-based economy.
- To increase effective economic activity and enhance economic competitiveness
- To use the reform of subsidies in improving energy consumption.
- To boost jobs and domestic production
- To promote social justice and empower Iranian citizens through skills training
- To reduce reliance on imports of foreign food and medicine
- To encourage the consumption of local goods.
- To reform Iran's financial system in a way that would respond to the needs of Iran

- To promote exportable products and services by means of legal and administrative reform.
- To increase economic cooperation through diplomacy with regional neighbors
- To increase production and value-added production of oil and gas for international markets
- To increase tax revenues and cut dependence on revenues from oil and gas exports to streamline government costs.

Ahmadinejad took measures to boost ties with China and Russia in an effort to advance Iran's international collaboration. However, an issue of concern between the loyalists of the supreme leader and moderate Iranian politicians was the degree to which the country should be integrated into the global economic community. While Ali Khamenei was suspicious of such ties, moderate Iranian politicians believe in having strong economic ties to the rest of the world, including the West.

According to Amir Toumaj (2014), given the current state of decline of Iran's economy, without an influx of Western cash and technology, the economy was unlikely to improve. On the other hand, the supreme leader believed that a resistant approach to the economy would work, even if sanctions remained in place.

The resistant economic policy also helped local investors in Iran to move goods from one economic area to another without any official procedure. Also, because of surplus capital and allocated currency, prices of goods produced in certain areas are not usually controlled. Similarly, general import-export laws do not affect products brought into the country for production or services. In addition, custom bureaucracies exclude log entries of products and goods imported from manufacturing areas can be sold devoid of any administrative bottleneck.

In trade-industrial free zones, the strategy also offers incentives. Incentives include a 20-year tax exemption for all economic activities from the date of operation; unhindered financial transaction; free visa and residency permits for foreigners; simplified control of labor, jobs and relationships; abolition of customs duties on products from outside the region; and vice versa.

Alireza (2017) states that the program also provides investors with legal support. External investors enjoy, under FIPPA rules, all the privileges, protections and facilities given to domestic investments. This involves simple provision of visas for entry and departure, residency and work permits, and quick-tracked licensing.

Iran's survival strategy in the midst of sanction

Bayyenat (2013) observed that Iran adopted a three-way survival strategy to enable her reduce the economic impact of the sanctions on her citizens. The approach had economic, diplomatic and psychological dimensions. On the part of the economy, the Iranian government launched what it called the “resistance economy”. The “resistance economy” approach is an economic plan which called for a reduction in dependency on crude oil exports, by increasing local production and focusing the Iranian economy toward knowledge-based exports. The resistance economy principle emphasizes Iran's own domestic capabilities rather than relying on external sources. Tahir Mustafa in an article titled “*Islamic Iran's resistance economy and culture*”, described resistant economic policy as an economic strategy that uses Iran's intelligent potential to check Iran's susceptibility to western sanctions and foreign aggression.

Between 2010 and 2014, international sanctions drastically reduced Iran's crude oil sales by 60% causing Iran to lose billions in oil revenues. In an effort to make up for the loss, Iran increased their non-oil exports. When the country suspected that the United States had plan to impose gasoline embargo on them, Iran increased her domestic production of gasoline and converted its petrochemical facilities into gasoline production. The country also controlled the price of gasoline in order to reduce local consumption. It also embarked on market intervention in order to regulate the prices of food and other goods so that citizens can afford to feed. Kenare (2018), noted that even to the point of sacrificing funds for short-term solutions such as purchasing shipments at a loss and making cash payments so that people can afford food, Iran ensured that it kept the prices of products in check.

In an effort to check the fall in the value of the "rial" by providing its citizens with an alternative source of foreign currency supply, the Iranian government also established a corresponding currency exchange center. Its central bank released directives allowing merchants to buy foreign currencies directly from money exchange houses. In certain cases, the government has interfered actively in the sector and has placed stringent price controls on some basic commodities. The country has also taken measures to promote local development and to check excessive imports of products. In addition, Atta Kenare (2018) noted that the country put more focus on cultivating domestic output and exporting non-oil products, so that oil products are now processed at home to compensate for some of its lost revenue from oil exports.

Diplomatically, Iran has cautiously given itself an opportunity to collaborate on its nuclear program with the IAEA investigators while retaining the negotiating power that could provide the opportunity to reach an agreement for removal of sanctions with Western powers (AviEngelsen, 2012).

On the psychological front, Iranian officials were very worried about the general public's view of the scope of economic misery and agreed to work on it. Bayyenat (2013) noted that government officials made efforts to persuade Iranian people of the reason for their opposition to international pressures and requested them to see it as a sacrifice, assuring them that the suffering was the price that needed to pay for their freedom.

Despite the biting impact of economic sanctions, Iran's economy had remained self-sustaining. The country had continued to produce most of its stable goods. Geographically, Iran is strategically located in the Gulf region, such that it could influence political activities of other countries in the region. Some of these factors give Iranian officials the confidence that Iran would, someday, weather the storm of crippling economic sanctions.

The Economic Legacy of Mahmoud Ahmadinejad

Mahmoud Ahmadinejad, Iran's sixth president after the 1979 revolution, took office in June 2005 as a populist defender of the poor and working-class Iranians. Ahmadinejad's patriotic promises to spread economic opportunity and eliminate corruption helped him win the presidential election in 2005.Ahmadinejad adopted a number of important economic measures when he was in power between 2005 and 2013, which had a significant impact on Iran's socioeconomic conditions. His presidency also occurred at a time when international sanctions against Iran were being expanded and intensified. Ahmadinejad's economic policies were based on his beliefs of the needs for fairness, justice, growth, and advancement, which were shaped by his personal experiences. Ahmadinejad was born on October 28, 1956, in Aradan, Semnan Province, Iran, to a pious lower-middle-class family who moved to Tehran when he was one year old.

During the later years of the Shah's reign, Ahmadinejad became politicized in college and volunteered with the Revolutionary Guards and Basij during the Iran-Iraq conflict in the 1980s. That cooperation prepared the door for Ahmadinejad to be appointed to various political administrative positions, and in 2003, when President Khatami's conservative opponents obtained a majority in the Tehran Municipal Council, they named Ahmadinejad as mayor of Tehran.

Ahmadinejad's economic views were quickly reflected in the way he ran the capital's municipal affairs. He dedicated a portion of Tehran's financial resources into income support programs for the underprivileged, such as marriage assistance loans, while mayor. He also had a casual approach to bureaucratic matters and lacked patience with financial and budgetary oversight, resulting in financial irregularities and a lack of openness in his administration. Both of these activities continued after Ahmadinejad was elected President (Gholamhosein ,2009).

Ahmadinejad received vital backing from Iran's Supreme Leader, Ayatollah Ali Khamenei, and the revolutionary armed forces during the 2005 presidential election and for the majority of his presidency (Basij and the Revolutionary Guards). His intimate ties to these two institutions were important in the development and adoption of his economic policies.

The Guards and the Supreme Leader were disturbed by President Khatami's resistance, and they backed Ahmadinejad because they believed he shared their principles and would not deviate from their policy suggestions. Some have referred to Ahmadinejad as the Supreme Leader's protege. Many signs suggest that Khamenei agreed with Ahmadinejad's populist economic views, and that his backing helped Ahmadinejad resist opposition in parliament to some of the measures he wished to implement.

Ahmadinejad's economic policies, as well as the numerous speeches he gave on the subject, demonstrated sets of key economic values that guided his thinking on economic matters. Prior to his presidency, he felt that the distribution of economic wealth and opportunity was unjust and that it needed to be redistributed. He was especially concerned about the country's undeveloped areas. His numerous excursions to provinces and remote locations as president were motivated by this belief. Ahmadinejad visited a province every twenty-three days on average. He used these trips to provide funding to hundreds of small-town and village development projects. Ahmadinejad criticized the unjust economic conditions on corruption and his predecessors' Khatami and Rafsanjani's economic reform policies.

Privatization and price deregulation, he argued, had been abused to favor a tiny group of powerful businesspeople and politicians. He chastised both huge private firms and large public corporations for incompetence and monopoly power abuse. Ahmadinejad regarded Western economic doctrines as foreign and incompatible with Iran's economic structures, regardless of their Left or Right orientation. As a result, he frequently accused reform-minded economists who influenced President Rafsanjani's economic policies as being flawed and servile to Western ideology. Even when his own close economic advisors presented him with the mainstream economic opinion that excess liquidity will lead to inflation, Ahmadinejad refused to acknowledge it (http://www.president.ir/fa/2665).

He also showed little consideration for the country's five-year plan or its formal fiscal expenditure guidelines. Ahmadinejad responded by diminishing the BPO's independence and restructuring it into two vice-presidential offices under his direct authority after the Planning and Budget Organization of Iran (BPO) became a loud critic of his economic policies. Ahmadinejad thought that people deserved to profit economically from the government's oil income, and that this could be achieved if a portion of those revenues was transferred as cash or spent on items and activities that provided them with immediate concrete advantages.

This was a viewpoint shared by Ahmadinejad and the Supreme Leader, who considered Rafsanjani and Khatami concentrated too much on long-term development and infrastructure projects. The fundamental drivers of Ahmadinejad's economic policies were his economic ideas. The Supreme Leader (Khamenei) and the Revolutionary Guards' economic interests and viewpoints also affected him. Most of the economic policies he implemented reflect the effect of both causes.

Implementation of privatization, for example, was altered to support the Revolutionary Guards' strategic goals and interests. The divided character of political authority in Iran also influenced Ahmadinejad's economic policy. Ahmadinejad was considered as a controversial figure inside the ruling regime at the start of his administration. He was opposed by a number of influential politicians.

Opposition factions in the parliament and the court have stopped or amended Ahmadinejad's economic proposals on several occasions. During Ahmadinejad's first years in office, the Supreme Leader repeatedly backed him up against his opponents. However, as the Supreme Leader's trust for him dwindled, his opponents grew more effective in thwarting his policies. Ahmadinejad took over a privatization drive that began under Rafsanjani's presidency. During his 2005 election campaign, Ahmadinejad denounced this initiative and, with the support of the Revolutionary Guards, petitioned the Supreme Leader to change the privatization system to make it more equal and to prevent corruption in the sale of state assets.

Large price subsidies on energy items like as gasoline, natural gas, and diesel fuel have posed a significant budgetary burden since the 1979 revolution, and the artificially low costs of subsidized products have resulted in significant waste and overconsumption. Both Rafsanjani and Khatami attempted, but failed, to alter these subsidies.

Initially, Ahmadinejad was opposed to the elimination of these price subsidies. To avoid suffering, he suggested the government should first enhance public transportation options before raising fuel prices. However, as the budgetary cost of subsidies increased and Iran became more reliant on imported gasoline, which made it more vulnerable to escalating economic sanctions, Ahmadinejad changed his mind.

In December 2008, he introduced a subsidy reform measure in council, which was discussed for nearly a year before being adopted in January 2010. The approved Subsidy Reform Law called for price subsidies to be phased down over a five-year period, and for local prices of gasoline and other refined oil products to be brought near 90 percent of international rates for distribution to Persian Gulf destinations.

The bill intended for low-income households to receive cash subsidies to help with the cost of increasing prices. The Iranian Statistical Center conducted a comprehensive household income survey in order to identify eligible households. However, it quickly became evident that precise data on household incomes was difficult to come by. Many lawmakers and members of Parliament were also concerned that denying cash assistance to middle- and upper-income families would result in political backlash and social turmoil. In order to address these issues, all citizens were granted cash subsidies in the form of per capita monthly payments. Businesses were also approved for a combination of loans and financial aid as an incentive to increase their energy efficiency.

As a result, 50 percent of the revenue earned by the government's sales of energy products at higher costs after subsidies were removed was shared to direct cash transfers to households, 30 percent to financial support for industrial and agricultural units as producer subsidies, and the remaining 20% was reserved for the higher energy costs incurred by the state. The government was disturbed by the emergence of price hikes soon after the subsidies were eliminated, so it reacted by imposing price limits on domestic producers and wholesale retailers, without taking into consideration the rising production costs. Several private companies were put under significant financial strain as a result of the combination of price controls and rising production costs: many companies had to reduce their output and lay off staff.As a result of these events, the parliament forced the administration to keep a major share of the agricultural and industrial subsidies. President Ahmadinejad saw state-owned commercial banks as tools of government policy, allocating a major part of bank credits administratively (Dominique G. et al, 2011).

He was extremely critical of bank management and lending policies, and he took two significant steps to intervene in the banking sector. To begin, he directed state-owned commercial banks to divert low-interest financial resources toward chosen geographic locations and economic sectors. At the same time, he significantly raised the amount of commercial bank loans that government agencies and state-owned firms received.

These required public-sector loans depleted state-owned commercial banks' financial resources, forcing them to borrow large sums from the Central Bank. According to Iran's Central Bank's most recent financial statistics, the government's debt to the domestic banking sector increased by 400 percent between 2005 to 2011. During the same time period, state-owned commercial banks' liabilities to the Central Bank increased by more than a factor of twelve(Iran Central Bank Quarterly Report on Economic Indicators No. 66, 4th Quarter, 2011).

Ahmadinejad's banking policies resulted in significant losses for state-owned banks and garnered widespread criticism from banking specialists and economists, but he stood firm. To assure the banking system's full compliance with his programs, he replaced key bank executives with his own followers (mainly former Revolutionary Guards and Basij paramilitary members).

Ahmadinejad's second banking policy was to ease the establishment of non-bank financial institutions (NBFIs) in his second term, after freezing the establishment of private banks in his first term. The majority of these NBFIs were linked to Islamic Charity Foundations as well as military groups like the Revolutionary Guards and the Basij militia. Because NBFIs were not bound by the same rules as state-owned banks, they were able to attract additional capital. Furthermore, the government compelled state-owned banks to support some of these NBFIs. As a result of this, NBFIs amassed significant financial resources by 2008, whilst banks were in financial difficulties. Several NBFIs linked to the Revolutionary Guards and Basij militia changed their status to that of private banks after the government relaxed the restriction on the formation of commercial banks in 2009.

Large blocks of shares in the four state-owned banks that were privatized were also purchased by NBFIs. These events resulted in a huge reallocation of financial power and resources to a part of the leadership, as well as the Revolutionary Guards and Basij militia rank and file. While Ahmadinejad's government's economic policies have had a significant impact on Iran's economy, the country's oil income and international sanctions have also had a role.

Furthermore, because of the influence of other centers of political power such as the Supreme Leader, the parliament, and the judiciary, government policy did not always go in the path that Ahmadinejad planned. While Khatami's presidency experienced low crude oil prices, Ahmadinejad's administration coincided with a period of record high crude oil prices which surged to as high as $130 in 2007. Up until the advent of international sanctions against Iran's oil exports in 2012, the high price of oil resulted in record oil profits under his administration.

Even as oil prices crashed as a result of the global financial crisis and sanctions limited oil sales, Ahmadinejad's government had access to much more revenue from oil. Iran was able to spend more on imports as a result of this high income, as well as generate enormous current account surpluses. Iran had a cumulative current account surplus of $183.3 billion, compared to $28.2 billion and -$11.8 billion in the first seven years of Khatami's and Rafsanjani's tenure, respectively.

President Khatami established an Oil Stabilization Fund in 2000 with a share of this record oil revenue to be used in future periods of low oil revenues. Annual withdrawals from the fund were relatively low under his administration, but increased dramatically under Ahmadinejad, who used the money to pay a slew of development projects. He also set aside some of the money for low-interest loans for investment projects and low-income families. The fund was drained by 2012 as a result of these indiscriminate and uncoordinated withdrawals.

Because of the high oil profits, Ahmadinejad was able to allocate more foreign exchange for commodities imports. This was accomplished both directly and indirectly by increasing the availability of foreign currency to government agencies and by supporting an exchange rate that made imports profitable for businesses and affordable for consumers. The goal of this program was to minimize inflationary pressures by importing cheap goods and to raise the living standards of regular people. Due to international sanctions, Iran's economic growth coincided with a shift in the identity of Iran's top trading partners. During Ahmadinejad's administration, one of the most significant obstacles for Iran's international commerce was the increased pressure from the US on Iran's main trading partners to reduce their dealings with the country. After 2000, some of the larger European countries that were Iran's largest trading partners in the 1980s and 1990s gradually reduced their commerce with the country. As a result, Iran was obliged to shift its imports from mostly European trading partners to the United Arab Emirates, Turkey, and Asian countries.

The quick increase in imports from China was matched by a surge in crude oil sales to that nation, as well as the awarding of investment projects. Iran purposefully increased its trade and investment ties with China in order to deter Beijing from backing international sanctions against it. Because other exporters were joining the international restrictions, Iran was forced to turn to Chinese suppliers for some industrial products.

The hypocrisy in Iran's pursuit for nuclear power under President Ahmadinejad

Iran's nuclear ambition and hypocritical stance has remained a controversial issue of interest. Since the early 1970s, Iran had continually refused to accept that it is working towards developing chemically-powered weapons. Irrespective of these denials, evidence abound that much of its nuclear-related activities are directly or indirectly under the control of the Islamic Revolutionary Guards Corps, IRGC. The government of Iran had maintained that the nuclear exercise is for agricultural use. The end result had remained a long list of nuclear programs and facilities that are, at best, referred to as ambiguous in character, hence the believe that their claims are not true (Cordesman & Burke: 2004).

While Iran had maintained its argument that the acquisition of nuclear weapon was against the principles of Islam, some of their citizens had continued to say that the exercise was their fundamental right. Between 1974 and 1975, the Shah made conflicting remarks concerning Iran's intensions to acquire nuclear weapons. First, he announced Iran would get nuclear weapons sooner than one would think and later, claimed Iran would not seek chemically-powered weapons.

Akbar Etemad, of the Atomic Energy Organization of Iran (AEOI), in an interview with *Le Figaroin* revealed that he had asked the Shah in 1970 if he wanted to build a bomb and that the Shah had responded in the negative, saying that it was impulsive to embark on such exercise because Iran would lose its moral credibility if she does that. However, the Shah had maintained that Iran may consider the option should her national security situation become jeopardized in future. Based on this statement, Etemad formed an exceptional nuclear research group in order to offer Iran access to all technologies, giving the political decision-makers the opportunity to decide on building a bomb if that is what was required (Paul, 2003).

The 1996 Central Intelligence Agency, CIA report, accused that Iran of having a long list of nuclear facilities with questionable character. In 1997, the CIA revealed that Iran possessed the fabricating skill to produce aerosol weapons that may enable it develop bombs and clandestine devices. The CIA also accused Iran of having some well-dispersed state formations and military facilities which it has used to conceal its activities.

IAEA reports of 2004 reveals that Iran's efforts to develop an indigenous gas centrifuge program began in earnest in the mid-1980s with a search of open source literature. According to the agency, Iran, in 1987, developed a set of technical drawings for a P-1 centrifuge and centrifuge machineries.

In January 1995, after several attempts with Russia and other countries to conclude an agreement for the completion of the Bushehr complex, Russia and Iran signed a contract to finish the reactors. The U.S. persuaded Russia to halt negotiations with Iran over a centrifuge enrichment facility as part of the package. The era witnessed a steady and deliberate progress in Iran's efforts to pursue a complete nuclear fuel cycle, with further expansion of its uranium extracting infrastructure, manufacture of uranium, conversion and enrichment programs (IAEA Report, 2004).

In 1991, Iran secretly imported uranium hexafluoride (UF6) from China. In March of 1994 Iran took delivery of two shipments with drawings and components for 500 P-1 centrifuges. Another shipment happened in July 1996. IAEA reported that between 1994 and 1999, a total of 13 meetings between Iran and members of the "clandestine supply network" occurred (Albright et al., 2014).

According to IAEA reports of 2004, Iran in 1999 and 2002, violated the IAEA safeguard obligations by carrying out tests on centrifuges at Kalaye Electric Company. Between 2001 and 2002, Iran commenced the construction of Natanz plant without obtaining permission from the IAEA. Although most observers suspect Natanz as a nuclear site, none had identified it as a uranium enrichment facility (Albright et al., 2014).

In 2003, three EU countries made up of Britain, France, and Germany began efforts to stop Iran from uranium enrichment activities. In 2004, Britain, France, and Germany signed an agreement with Iran to extend a temporal suspension of Iran's nuclear activity, pending negotiations of long-term arrangements. While the suspension lasted, Iran continued its research, development and manufacturing of centrifuges. Iran had secretly continued to pursue her nuclear-related activities without the consent of the IAEA.

Katzmann and Kerr (2016) observed that Iran in 2007, stopped sharing early access and design information for its nuclear operations with the IAEA as allowed by the amended Code 3.1 of its safeguard agreement. Iran also rejected IAEA requests to install applications to monitor its enrichment facilities.

Since Iran's 1979 revolution with its attendant sanctions from the West, the country has continually worked on two key principles**:** strategizing on how to deal with the hardship occasioned by the multilateral and unilateral sanctions imposed on her and at the same time, keeping faith with her determination to attain nuclear potency. In the midst of this, Iran has not only managed to "survive" but thrive. According to Atta Kenari (2018), the country has operated a “resistant economy” that ideally has insulated it from sanction-dominated economic system.

Although scholars like Ronzitti (2016); Katzman and Kerr (2016); Engerman (2003); Bailey and Dawn (1998); Gordon (2012); Sanger and Landler, (2010); Bayyenat, (2013), have at different times, written on Iran's years of sanctions and its effectiveness as well as Iran's determination to acquire nuclear power, their works have not adequately explored the issue from an angle that examinedhow Ahmadinejad's policy of resistant economy was able to sustain Iran's developmental efforts despite the enforcement of international sanctionon her between 2005 and 2013.It is, therefore, this lacuna that the study is set to fill.

Theoretical Framework

The study employed the Resistance economy doctrine as its theorical framework. The economy of resistance doctrine is the economic component of the Iranian regime's attempts to counter the multilateral and unilateral sanctions. It also aims to support the "unwritten" Iran's foreign policy ambition which is to establish Iran as a regional leader of Muslim countries.

Iran's leaders have, in fact, described the international sanctions against her as the West's economic tactic in the broader "soft war" with an aim to spread Western political and cultural values and undermine the Iranian regime. The Supreme leader Ayatollah Ali Khamenei believed that fighting this "soft war" must be Iran's main priority and that economic reforms are part of that fight (Amir Toumaj, 2014).

Khamenei in February 2014, approved the adoption of the "Economy of Resistance" doctrine as Iran's response to sanctions. To him, the future of the Iranian economy, as well as the future ability of the international community, championed by the West; to harm Iran through sanctions, depends on the success or failure of the resistance economic doctrine.

The Supreme Leader first raised the idea to adopt "Resistance Economy" in 2010, encouraging authorities to develop a revolutionary paradigm of economic policy-making that could nullify the negative effects of Western sanctions. He raised the matter again in August 2012 with a heightened sense of urgency, weeks after the European and American embargo against the entire Iranian oil industry led to a reduction of exports by 50% (Khamenei, 2012)

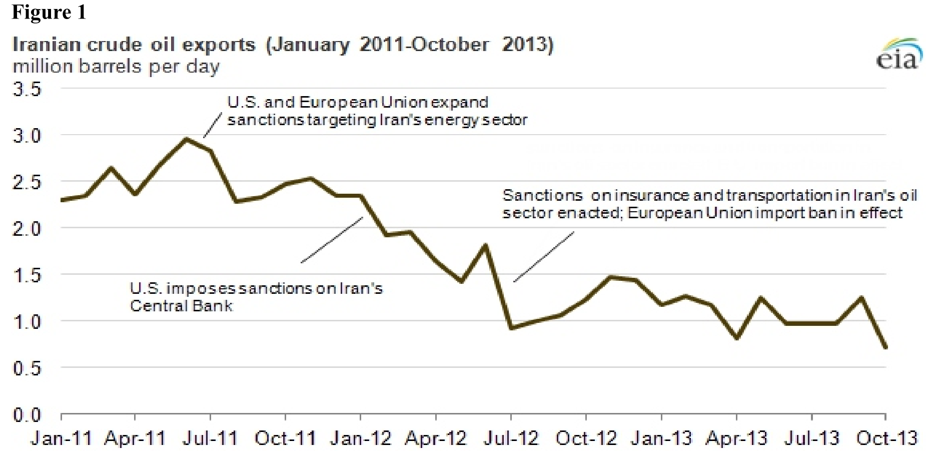
The 24-point general policies of Iran's Resistance Economy were set based on the Article 110 of the Constitution which accords duties and powers to the Supreme leader. It is intended to make the Iranian economy resistant to all external economic shocks in the long term, including Western sanctions and global financial crises. It is designed to work even if sanctions remain in place. Ali Khamenei specified the main aims of the resistance economy doctrine as: creating dynamism; Resistance against threatening elements; Reliance on domestic capacities; Adopting a jihadi outlook; Making the people the pivot; Security for strategic and fundamental goods; Reducing oil dependence; Reforming the norms of consumption (no decadence and waste); Combating corruption; Promoting a knowledge-based economy.

Iran's development in trade, finance and foreign investment amidst sanctions

Ahmadinejad's presidency coincided with a period of record high crude oil prices. The high price of oil resulted in record increase in oil revenues. The increase in oil revenue allowed Iran not only to spend more on imports but also to accumulate a large amount of current account surpluses. It also enabled the regime to allocate more foreign currency for imports of goods either directly, by making more foreign currency available to government agencies or indirectly, by supporting an exchange rate that made imports profitable for businesses and affordable for consumers. The rationale for this policy was to reduce inflationary pressures by means of cheap imports, and to improve the living standards of ordinary Iranian people.

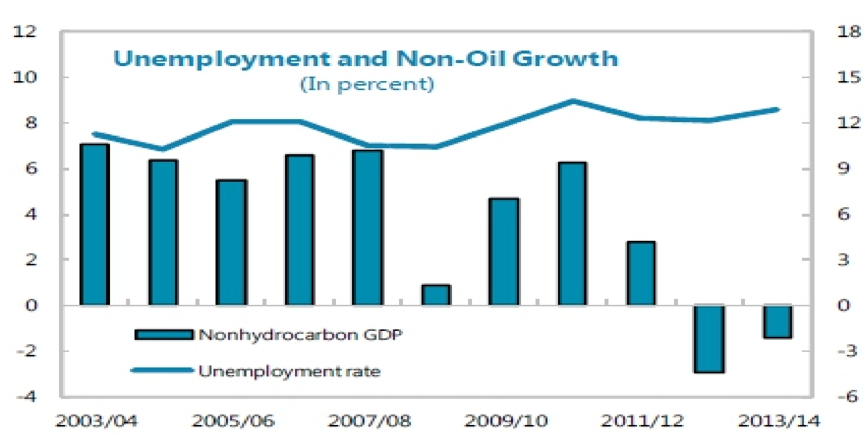
According to Nader Habibi (2014), Iran had a cumulative current account surplus of $183.3 billion during Ahmadinejad's presidency; equivalent amounts for the first seven years of Khatami's and Rafsanjani's tenure were $28.2 billion and -$11.8 billion dollars, respectively. Ahmadinejad's government set aside a portion of this record oil money into the Oil Stabilization Fund, otherwise known as *Hesaab-e zakhireharzi*, which President Khatami established during his regime to be used in future years of low oil revenues. Some Parliament MPs were critical of Ahmadinejad's use of the Oil Stabilization Fund, but he was able to use it at his discretion by neutralizing the Budget and Plan Organization and restricting the power of the fund's board of directors.

Figure 1



Source: Energy Information Administration of December 10, 2013 available at http://www.eia.gov/todayinenergy/detail.cfm?id=14111

Figure 2. Non-Oil and Unemployment growth between 2005 and 2013



Source: International Monetary Fund

Figure 3. Manufacturing and Auto production between 2005 and 2012

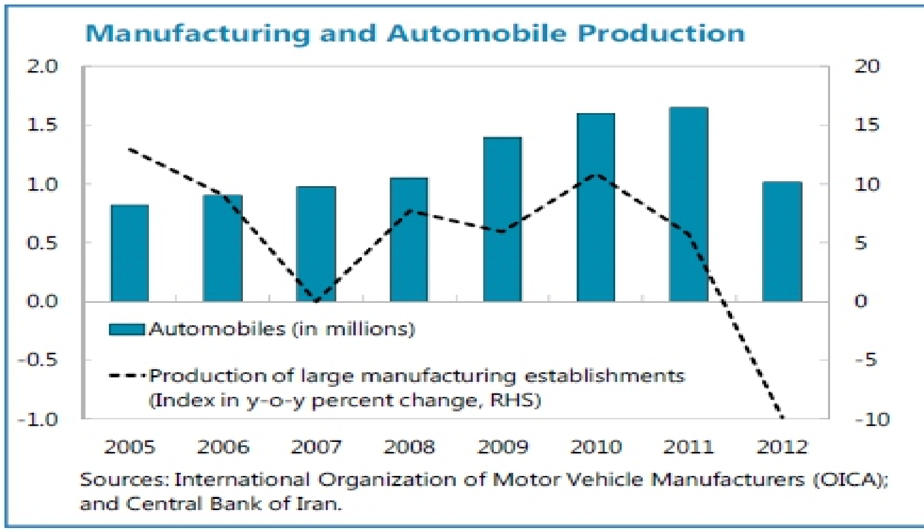
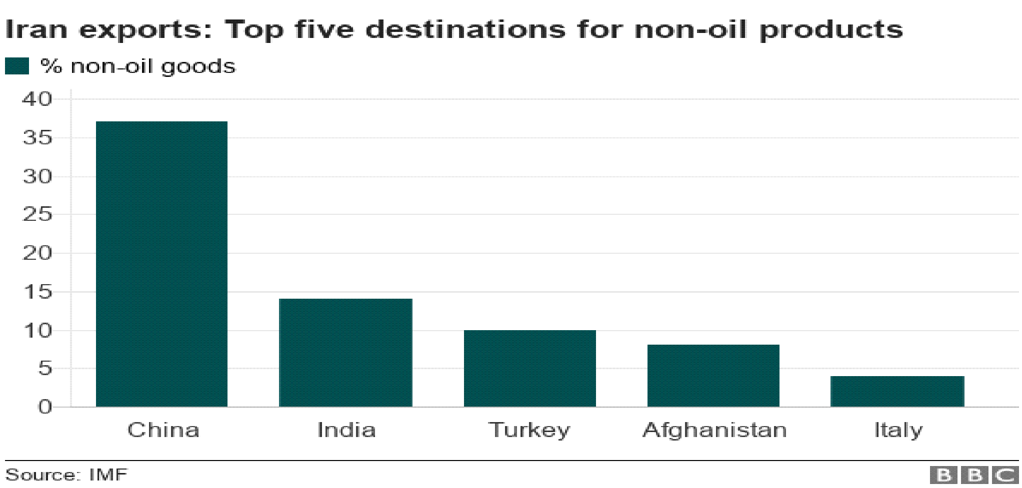


Fig.3: **Top Iran's exports for non -oil products**



Source: International Monetary Fund

Summary

The study investigated the impact of the adoption of Iran's resistance economy doctrine on her developmental efforts under the international sanction regime between 2005 and 2013. Relevant literatures were reviewed and the review created a gap that showed that scholars have not adequately interrogated how the country managed to cope with the pain of the sanctions imposed on her by both the United Nations Security Council, the United States, and some other Western countries. The study found that the resistant economic policy was a survival strategy that helped Iranian people to cope with the impact of the sanctions in their daily lives. As a result of the policy, Iran was compelled to shift from an oil-based economy to an inward-oriented, knowledge-based economy. In midst of the sanctions, Iran witnessed growth in trade, finance and foreign investment. There was an increase in oil revenue which made Iran to accumulate a large amount of current account surpluses which in turn, made it possible for the country to make foreign currency available to government agencies and private businesses. The study also showed that Iran never allowed the sanction to frustrate her nuclear ambition. She maintained her commitment to the nuclear program and even began manufacturing her own military equipment.

Conclusion

This study accessed the impact of the 'Resistance Economy' doctrine in the development of Iran, especially in the area of trade, finance and foreign investment during the international sanctions' regime between 2005 and 2013. The resistance economy doctrine was intended to make the Iranian economy resistant to all external economic shocks in the long term, including Western sanctions and global financial crises. Through the doctrine of resistance economy, the Iran's government took measures to boost ties with countries like China and Russia in order to insulate the country's trade against Western economic pressure.

In as much as the principles of resistance economy doctrine activated the call to transform Iran's sanctions pressure into opportunities and develop strategic partnerships, the regime's leadership style, with its divisive political system, could not guarantee building an economically vibrant and expanded market necessary for development in Iran, such that could be able to benefit both the people of Iran and the international community.

Recommendations

In view of our findings, we hereby put forward the following recommendations for policy implementation:

1. An induced economic cooperation, instead of confrontation, between Iran and the West is necessary for the benefit of the people of Iran and the international community, hence there is need to lift economic sanctions on Iran especially on imports and exports of sensitive goods. The measure would help to advance the interest of all sides.
2. The regime should cease from harboring its anti-American outlook, a belief that has been fused into their DNA and has become a defining tenet of its political identity and security doctrine.
3. Iran's policymakers should adopt a well-planned diplomatic and economic measure to meaningfully influence Iranian strategic decision making.

4. The democratic forces in both Iran and the West should be strengthened to encourage the emergence of a more democratic and secular Iran that may not seek nuclear weapons.

5. The United Nations, United States, and the European Union should come up with a sustainable policy to reintegrate Iran into the international community through economic cooperation and social engagement. Through this way, policymakers can reach a longer-term solution for the challenges stemming from Iran's actions.

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