



Centre for Air Power Studies (CAPS)

Forum for National Security Studies (FNSS)

35/20

Double Whammy of COVID-19 and Sanctions Hitting Hard on Iran

Anu Sharma
Associate Fellow, CAPS

Keywords: Iran, US sanctions on Iran, COVID-19 in Iran, US-Iran relations, JCPOA

In October 2020, US imposed another set of sanctions on various Iranian financial institutions and banking channels following its “maximum pressure campaign” against Iran. This has proved to be a double whammy for Iran, which is also reeling under the drastic effects of the COVID-19 pandemic. It should be kept in mind that Iran was one of the worst affected countries from this pandemic in the West Asian region. The tensions between Iran and the US have not dissipated; in fact, they have risen since the beginning of the year 2020. The situation has aggravated due to the outbreak of COVID-19 pandemic. In such a scenario, there are chances that Iran will once again turn to China—America’s current archrival. The West Asian region is already plagued with political tensions and conflicts, and amidst all this the pandemic has further weakened the governance structure and has further highlighted and deepened the already weakening social and economic structures in the region. There are chances that the sanctions imposed by the US in October 2020

will further aggravate the tensions between US and Iran. Currently, there are approximately 6,63,800 active COVID-19 cases in Iran with approximately 37,409 reported deaths due to this pandemic. In such a scenario, further sanctions and restrictions on Iran’s banking and financial institutions is kind of pushing Iran into the corner.

For the last nine months, Iranian government is fighting on two fronts: firstly, to save the economy from the severe and drastic economic sanctions imposed by the US; and secondly, to protect its citizens from the raging deadly pandemic which is threatening the West Asian nation with the second wave. The American Treasury department in early October 2020 has blacklisted 18 Iranian banks by divulging information regarding the foreign banks, firms, and individuals that do business with the Iranian counterparts. This has, in turn, severely affected the Iranian financial sector as well, further distancing it from the global economy. In fact, Washington had warned them

with punitive measures in case they continue to do business with them. With the re-imposition of sanctions, both Iranian President Hassan Rouhani and Iranian Foreign Minister Mohammad Javad Zarif had condemned the American actions with President Rouhani calling these actions “inhumane.” Iranian Foreign Minister Zarif took to twitter to condemn President Trump’s decision regarding sanctions stating

“Amid Covid19 pandemic, the US regime wants to blow up our remaining channels to pay for food & medicine. Iranians WILL survive this latest of cruelties. But conspiring to starve a population is a crime against humanity. Culprits & enablers—who block our money—WILL face justice.”

Also, the rising speculations regarding America’s tougher sanctions against Iran since January 2020 have been due to the impending presidential elections in the US in November 2020. Added to this is the US government’s failure to persuade the United Nations Security Council (UNSC) to extend the conventional arms embargo on Iran.

Iranian economy is heavily dependent on the revenue obtained from the hydrocarbon trade. However, the outbreak of the COVID-19 pandemic has raised the severity of the economic situation in Iran making it grimmer. Added to this is the fluctuating oil price making it all the

more difficult for Iranian economy’s survival. The loss in the revenue from oil production and export has led to a “tied hands” situation for the Iranian government in any kind of rescue situation in the current pandemic crisis. Like many other nations around the world, Iranian economy is the worst affected due to the COVID-19 pandemic with a lot of people losing their jobs due to disrupted production in the oil and gas sectors. It has also made it difficult for the Iranian government to provide solutions to its citizens to weather the severe economic conditions arising due to this pandemic. At the same time, the severe economic conditions have also forced Iranian government to face shortage of medical supplies to counter the pandemic in mid-2020. Though Iran is trying hard to flatten the curve of fatalities due to this pandemic, however, its economy is still in tatters and continuously suffering with depreciating value of the currency and increasing inflation, making it difficult for the Iranian economy to cope. In such a scenario, the rigorous sanctions by President Trump’s administration can act perilous for the Iranian government in future also. The overwhelming number of COVID-19 cases has forced Iran to seek international support. However, US sanctions have restricted Iranian access to crucial medical supplies owing to sanctions as the international suppliers cannot afford a hostile superpower. There was very slim chance of reconciliation between Iranian leaders and the Trump administration even during the severe pandemic crisis.

Legally, there is no embargo on lifting of sanctions in case of a change in Presidency in the US, however, it could create situations for enhanced bureaucratic process in the US Congress, making it marginally more difficult to revoke the recent sanctions imposed on Iran in October 2020. The election of a Democrat President to the White House seems imminent and the situation might change with the Democratic Presidential candidate Joe Biden stating that he will work for returning the US towards the JCPOA. Democratic candidate Joe Biden's support to return to diplomatic channels vis-à-vis Iran and to a certain extent compliance of the historic 2015 nuclear agreement between Iran and the P5+1 countries can lessen a lot of economic woes of Iran. It will eventually bring almost 2 million barrels per day of Iranian oil into the global markets that had been taken off by President Trump's "maximum pressure" tactics against Iran. However, it will definitely be a lengthy endeavour with fresh round of negotiations as well as several multilateral talks between Iran, the US and the other five nations considering that the last four years have again put Iran on the backfoot in terms of dealing with the US; the road to the same seems difficult and treacherous. The aim of the perilous re-imposition of sanctions on Iran in October 2020 was aimed at stalling all paths of reconciliation with Iran in case Democrat Joe Biden becomes the US president. But there is a chance that this could backfire, with President Trump almost set to lose the Presidency.

(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])