

Sanctions on Iran by US and its impacts on India

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Abstract: The issue between US and Iran is one of the biggest issues of the current world and the decisions taken by both the countries have repercussions on the economy of other countries as well. There are various conditions that were imposed on the Iran's nuclear deal during the time when Barack Obama was the president of US. The deal was signed, and later US backed out of the deal when Donald Trump became the president of US because Trump felt that Iran is not adhering to the deal and were up to something. Many recent articles were reviewed, and the details were collectively accumulated. Most of the issues related to the sanctions by US on Iran are covered in this article. The objective of this article is to give a clear idea on as much aspects of this issue as possible and also on the effects this issue had on the economy of India.

Keywords: US, Iran, Sanctions on Iran, Economy, Donald Trump.

1. INTRODUCTION

Since ancient times fights between different countries and different places were common. The fights earlier used to be physical and wars were fought and won or lost and the winner gets whatever he wanted. It was a regular routine. But after countries became independent and each country has their own boundaries, there are laws accepted by everyone and a central body that looks after these laws. But the age-old tradition has never stopped. The wars still happen but now it's in a different form. Powerful countries still have the advantage over the weaker countries. This article speaks about one such cold war that's going on between US and Iran. In this article, the focus is more towards what exactly happened, what are the reasons and what are the effects of it.

2. LITERATURE REVIEW

According to Amman (2018), crude oil prices increased to \$75.19 per barren which was 0.6% hike than the last close after the sanctions were implemented. It is expected that it would increase by 4% that same week. This shows the effects of the sanctions put by US and how much it has affected Iran's crude oil pricing. According to EFE News Service (2018), people of Iran terribly suffered because of the sanctions of US on Iran. According to some of the people, they are unable to have proper food and they survived on lentils most of the days as meat was not imported to their country. This was the condition of an Iranian woman who lost her husband and depended on her husband's pension. Inflation was at peaks during these period and prices of dairy products and other animal products increased by 30% and chicken price rose from 70000 Rial to 110000 within a span of a month. Irani Rial has lost half of its value against dollar from 2015. Iran's president requested oil companies to use their foreign reserves to purchase basic goods like food and medicines. People stopped purchasing certain products as the price of those products was very high and it will take months to deliver. But during that period, Iran's president said that central bank of Iran will maintain official rate of exchange of dollar.

Content

US government has imposed new sanctions on Iran on May 2018 after the country's exit from 2015 nuclear agreement between Iran and several world powers. This happened because US came to know that Iran is involved in nuclear activities illegally through their spies and other resources.

US has imposed economic sanctions on Iran because of this unemployment increased, affected banking system and lot of citizen came out and protested about this issue. They demanded the government either to resolve this issue or get down from the authority. In 2015, Iran told US and other permanent members of Security Council that they want to grow their economy and wanted to access nuclear technologies for peaceful purpose like generating electricity in their country. They promised that they don't misuse nuclear technology. That's when agreement between Iran and P5+1 countries (US, China, Russia, France, Japan & Germany) under the leadership of then president of US, Barack Obama. In this deal, Iran's uranium stock was to be reduced by around 98% which is 300kg for 15 years and they cannot enrich uranium above 3.67%. The Joint Comprehensive Plan of Action (JCPOA) deal was signed and under that Iran agreed that one of their uranium enrichment facilities, Natanz, will be restricted to install not more than 5060 centrifuges which are the oldest and least efficient for 10 years. During presidential elections in US, Trump felt that there is no use of this agreement between P5+1 countries and Iran to US and used this as one of the key things in manifesto to win the elections. Normally this contract was for a period of 10 years but had to be extended and reviewed every few months. The other reason behind the pull out of US from this agreement is from Israel. Israel informed US government that in Iran illegal activities of nuclear weapons is happening and they came to know this from their spies, and they had proper evidence and it was addressed in the UN general assembly as well by Israel President Benjamin Netanyahu. He explained using a chart presentation on Iran's plan on different stages of enrichment of uranium of a nuclear weapon.

Israel can't be blamed for their fear since the former president of Iran Mohmoud Ahmadinejad said that Israel must be wiped off from the world map. This statement was viral in western media and Israel media. But Iran's former president told that these words were wrongly translated into English. Main reason that Trump ended this deal was Iranian missile tests. On November 21st 2015, Iran reportedly tested various missiles having a range of 1500 to 2000 km. On March 8th and 9th, Iran test Quim 1 with various other missiles. Over the years, they did various missile tests, and this was an alarming issue since it's quite possible that Iran was planning something for later after the deal ended. This made US suspicious and Trump government ended this deal on May 2018. After ending this deal, US imposed sanctions on the friendly countries that all countries should stop trade transactions with Iran, but Russia continued their trade with Iran. Russia was of the opinion that no matter what US thinks; Russia will still be in favor of Iran and will trade with Iran.

Impacts on other countries

The major importers of Iran's oil are China, India, Japan, South Korea, Turkey, Taiwan, Greece and Italy. These countries can buy oil from Iran for 6 months until they get another major exporter. US waived sanctions for these countries during this period. Due to these sanctions, Iran's oil exports fell from 3.8 million barrels per day in January 2018 to 1.1 million barrels per day in March 2019. According to the reports of SVB energy international, Taiwan, Greece and Italy have stopped their importing entirely and major buyers like India and China reduced their imports by 47% and 39% respectively. As a result of this, there is a loss of more than 10 billion dollars of revenue to Iran according to US sources.

Impacts on India

India is the second largest importer of Iran's oil after China and 10% of the crude oil is imported from Iran. Iran is the third largest exporter of crude oil to India after Saudi and Iraq. Relations between Iran and India are very good. India gets a credit period of 90 days whereas the other countries get 30 days credit period. Trade transactions will be done in Indian rupees instead of American dollars so that our foreign reserves will be saved, and the current account deficit will be reduced. Not only Iran's economy, but Indian economy also got affected. As Iran is the major importer of India's tea, tea traders were badly hit. The 'prized black tea' has a huge demand in Iran and it is basically from Assam part of North-east India. The value for this got reduced gradually. If the amount of imports by Iran is the same in the upcoming years, there's a possibility that the tea business would stop, and India's economy would be affected more. As India is the second largest producer of tea in the world and as US sanctions were not on food and agriculture products, Iran can actually continue with the tea trade with India, but Iran is not ready to spend their limited foreign reserves on tea. Due to this the tea rate fell to \$3.5 and Iran's import of tea fell down to 13%.

3. CONCLUSION

The sanctions imposed by US on Iran were something that could be expected. The urge of using uranium for making weapon by Iran is understandable since they feel the need to protect themselves if there is an attack on them. Even so they said that they used nuclear reactors for generating electricity and other peaceful purpose. But due to the previous comments made by Iran's president, these actions cannot be taken lightly, and the precautions taken by US are also

understandable as per US perspective. The sanctions were made on Iran, but the effects were faced by many other countries as well. Iran's economy is going down. The trade with Iran is not preferred by many countries since no matter what no country would go with defying or going against US because US has the supremacy in the major regulatory bodies whether it be organizations like WTO or other trade organizations. These are the issues faced due to the sanctions on Iran as well as on the economy of other countries. The future aspects of it are unclear right now but right now US does not seem to be lifting the sanctions till Iran adheres to the conditions imposed by US.

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