

# Showdown with Iran: Government Accountability Office (GAO) deals Blow to Bush's anti-Iran Sanctions Policy

By [Muriel Mirak-Weissbach](#)

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If the National Intelligence Estimate (NIE) report hammered a nail into the coffin of the Bush-Cheney Iran war policy, a new report may do similar damage to the same duo's anti-Iran sanctions policy. Just as the NIE stated that Iran has no nuclear weapons program, and implied, therefore, that this could not be used as a casus belli, so a report issued on December 18, by the Government Accountability Office, said that sanctions of the type Washington is pushing would be worthless. The GAO report sports a somewhat understated, yet unambiguous, title: "Iran Sanctions: Impact in Furthering U.S. Objectives Is Unclear and Should Be Reviewed"

([www.gao.gov/docsearch/abstract.php?rptno=GAO-08-58](http://www.gao.gov/docsearch/abstract.php?rptno=GAO-08-58) for PDF file).

It is addressed to the ranking member on the Subcommittee on National Security and Foreign Affairs, House Committee on Oversight and Government Reform, Christopher Shays, and copies of the draft have been sent out to the most important government departments, as well as the NSC and the Officer of the Director of National Intelligence.

Although relatively little has been published in the establishment press about the GAO report, which was released to the press on January 15, it merits careful attention, especially in light of the ongoing efforts to ram through yet another set of sanctions against Iran at a Berlin meeting of foreign ministers of the 5+1 group on January 22. One wonders if the hastily-announced resignation of State Department sanctions man Nicholas Burns, had anything to do with the GAO's findings.

The report reviews the three categories of sanctions imposed by the U.S. since 1987: the investment and trade ban by the Treasury; State Department-administered sanctions hitting foreign parties dealing in "proliferation or terrorism-related activities;" and, financial sanctions, imposed by both Departments on the same perpetrators, which include freezing assets and cutting access to the financial system in the U.S. The problem has been that, even though penalties have been meted out against violators, loopholes have allowed some U.S. trade to continue, for example, through third parties. Or violators, even though repeatedly punished, have simply continued unperturbed. Although the official line has been that 'sanctions work,' the GAO questions this. "Since 2003," they write, "the Iranian government has signed contracts reported at about \$20 billion with foreign firms to develop its energy resources." (This finding must have made a special impression on the authors, as the sentence is repeated verbatim several times in the text.) "Further," the GAO states, "sanctioned Iranian banks may fund their activities in currencies other than the dollar." And,

Iran “continues to enrich uranium, acquire advanced weapons technology, and support terrorism,” according to the report.

The most damning evidence of the failure of the policy is the fact that “Iran’s overall trade with the world has grown since the U.S. imposed sanctions.” A graph shows that between 1987 and 2006, Iran’s annual exports grew by a rate of 8.6% (from \$8.5 billion to \$70 billion) and imports, by 7.0% (from \$7 billion to \$46 billion). And, among the imports, were weapons and nuclear technology. That neither category of imports is forbidden to a sovereign nation under international law, including the NPT, is not mentioned by the authors.

The GAO concludes, “the overall impact of sanctions and the extent to which these sanctions further U.S. objectives, is unclear.” This is also due to the fact that no mechanisms have been developed to assess the impact. The report recommends that the Administration and Congress rectify this, so as to gain a “better understanding” of the impact of the policy. This should be done through a collaborative effort of the NSC, the State Department, Treasury, Energy and Commerce, together with intelligence agencies, to “(1) collect, analyze and improve data on Iran sanctions and conduct a baseline assessment of the impact and use of sanctions; (2) develop a framework for assessing the ongoing impact of U.S. sanctions, taking into consideration the contribution of multilateral sanctions; and, (3) report periodically to Congress on the sanctions’ impact.”

“It’s The Economy, Stupid!”

After Bill Clinton’s election in 1992, advisor James Carville explained the victory by referring to a fundamental fact of life for any nation or people: the health or sickness of an economy will shape political choices. This is not only true of election campaigns. If President Bush understood anything about the economy — and his recent “stimulus” proposal proves he does not — he would grasp the fact that sanctions aimed at crippling trade with a strategically important country like Iran are doomed to fail. As the GAO points out, Iran’s strategic role is defined by its geographical location and its massive raw materials resources, holding “the third largest proven oil reserves and the second largest reserves of natural gas worldwide.” Countries like China are unlikely to allow sanctions to deter them from purchasing fuel, or from investing to develop Iran’s energy sector.

Thus, it should come as no surprise that, if U.S. trade with Iran plummeted after sanctions were introduced, “Iran’s trade with the rest of the world has increased, in large part due to increases in oil prices between 2002 and 2006. Asian countries, particularly China, are increasing their trade with Iran. Countries such as China and Russia continue to provide Iran with sensitive goods.” To wit, 16% of Iran’s total exports before the 1987 sanctions, went to the U.S., then plunged to 0.1%. This corresponded to a collapse in Iran’s exports to the U.S. from \$2 billion worth in 1987 to below \$1 million a year in the 1990s. At the same time, Iran’s other exports and imports zoomed, as noted above. “Iran has been able,” the report notes, “to readily replace the loss in U.S. trade with other countries,” especially with Europe and Asian countries. Trade with the latter “has nearly doubled since 1994,” with China and Japan heading the list. In the same time period, Iran’s imports from Middle Eastern countries went from 8% to 13%, especially from the UAE.

Considering these facts and figures, one is justified in going further than the GAO, to argue that the impact of the sanctions, far from being “unclear,” is pretty straightforward: the sanctions are a failure. And, to pose the question: who is losing out? For sure, the Islamic

Republic of Iran has felt the brunt internally, but, as the report makes clear, its global trade and investments picture is not bad. What, then, of the United States of America? The American economy, stock market and entire financial system are crashing, and are threatening to take the rest of the world into the abyss. In this context, the GAO's remarks about the impact of financial sanctions, to stop Iran's alleged support of "proliferation" and "terrorism," may harbor a hidden message. Reviewing the sanctions slapped on Bank Saderat in 2006 and Bank Sepah in 2007, which deprived them of trading in dollars, the GAO writes that Iran has found alternatives: "sanctioned Iranian banks may turn to euro or other currency transactions to support Iranian government activities." Indeed, Iran has increasingly shifted to the euro, at a time when, due to the dollar's collapse, many other countries are doing the same, and are even considering lifting their pegs to the U.S. dollar. These include leading economies in the Gulf Cooperation Council, with whom Iran has been intensifying economic and political cooperation. Such moves, presented as "diversifying" foreign exchange reserves, are certainly not the {cause} of the greenback's fall, but they will not contribute to stopping it. In addition, as PressTV reported January 4, Iran will open its Oil Bourse, for trade in gas, oil and petrochemicals, in non-dollar currencies. Finance Minister Davoud Danesh-Jafarai said the bourse, located on the island of Kish, would be inaugurated in early February, on the anniversary of the Islamic revolution.

#### Arabs Reject Bush's "Peace-Through-War" Mission

Such economic factors rank high on the list of considerations that shaped the response given Bush on his recent trip, by Arab leaders of the Persian Gulf states. By all accounts, including those in government-linked press organs, Bush's performance was an abysmal failure. After having mouthed nice-sounding phrases about peace, while in the Occupied Territories and Israel, Bush unveiled the true content of his mission, in a never-ending series of diatribes against Iran, culminating in his official lecture in Abu Dhabi. As reported at length in the international media, Bush again depicted Iran as the source of all evil in the world, supporter of terrorism, seeker of nuclear weapons, and so on. Again, he made clear that the military option was not off the table.

But his Arab hosts were not amused. Whether in Kuwait, Bahrain or the UAE, Bush was informed quite explicitly that if he had plans to attack Iran, he could not count on any of them to offer their territory, albeit with U.S. bases, as launching-pads. The foreign minister of America's most important Gulf ally, Saudi Arabia, rejected any hint of war against Iran even before Bush landed. "We have relations with Iran and we talk to them," said Saud al-Faisal on January 10, "and if we feel there is any danger (in the region) we will talk to them about it." The pro-government paper Al-Riyadh also delivered the same message, just prior to Bush's arrival. "We refuse to be used to launch wars or tensions with Iran." It added, "If the president [of the U.S.] wants to obtain the solidarity of all the Arabs, ... he must focus, rationally, on the most important issue which is the question of peace." Gulf News, from the UAE, commented that "There's little enthusiasm in the Arab world to be labeled as a 'Friend of George' by signing up to this anti-Iranian alliance." On the heels of Bush's stopover in Kuwait, the foreign minister of that close ally, Mohammad Sabah al-Salem al-Sabeh, joined with Iranian Foreign Minister Manuchehr Mottaki in a Tehran press conference, to announce: "My country knows who is our friend and who is our enemy, and Iran is our friend."

Almost overlapping Bush's visits in the region, Iranian diplomats were meeting with regional partners. Iran's ambassador to Bahrain, Hossein Amir Abdollahian met with the head of that country's Chamber of Commerce, Osam Abdullah Fakhro, to discuss expansion of economic

cooperation, a subject which is to be further explored in the fifth meeting of the High Economic Cooperation Council, to be held soon.

More important, prior to Bush's touchdown in the region, the most powerful institutions of the region had signalled unequivocally their commitment to ally with Iran against any and all war scenarios emanating from Washington. The first major initiative was the official invitation of the Gulf Cooperation Council, to Iranian President Ahmadinejad, to attend their summit in Doha December 3-4. This was the first time since the founding of the GCC that an Iranian leader had been accorded such an honor. Ahmadinejad did attend, and presented a proposal for cooperation in 12 points, which was warmly received. The proposal outlined plans for "regional security and economic pacts" without foreign influence, IRNA reported on December 16. Iranian sources have told this author that, following that historic event, Iran sent a letter out to its Arab neighbors, calling for the establishment of a working group to study his proposals further, and that another meeting on the issue will be held. Following that summit, an invitation was sent the Iranian President from the most influential Arab leader of the region. Saudi King Abdullah bin Abdul Aziz al Saud personally invited Ahmadinejad to attend the Hajj pilgrimage, again an unprecedented event, — the first time in 1,400 years — which, Iranian sources assured this author, could not be underestimated.

It should be noted in this context, that very few, if any, of the Arab Gulf leaders fell for the line retailed by Bush in his earlier visits to Israel and the Occupied Territories. Though he preached peace, even venturing to declare that the territories occupied by Israel beginning in 1967, had to be liberated, what followed in the wake of his visit indicated that he had actually been on a wrecking mission. No sooner had he left Israel, than the Israelis acted with vengeance in Gaza, demolishing the Palestinian Interior Ministry, killing dozens of Palestinians, and closing off the entire area from vital supplies of humanitarian goods. Had he discussed this with Olmert?

Not only: after Bush left the region, the Lebanese crisis, which some had thought was nearing conclusion, erupted again, as the election of a President was again postponed. Arab League Secretary General Amr Moussa said he believed it was a matter of the lack of political will. Unconfirmed reports in Al Akhbar on January 17 had it that Bush met secretly in Aqaba with Lebanese Prime Minister Fouad Siniora, Majority leader Saad Hariri and Jordanian King Abdullah II, to discuss a naval blockade of Syria, a matter that Al Manar that same day said he had earlier discussed with Israeli Prime Minister Ehud Olmert. As for the internal Lebanese situation, Bush had gone on the public record prior to his trip, saying that he supported the March 14 group's bid to elect a President by "50% plus one" of the votes. In short: he was sabotaging the negotiation process aiming at national reconciliation and power sharing. As George Orwell taught: Peace is War and War is Peace.

### The World vs. George W. Bush

The most welcome rallying of the Arab Gulf governments against Washington's war option may be crucial, but it is in itself not sufficient to preserve peace. Even if all the regional powers say, "No, thank you," to the Bush-Cheney bid for military aggression against Iran, that does not mean that plans for further political-economic aggression, in the form of a new U.N. Security Council resolution for sanctions, have been abandoned. And, as the case with Iraq has documented, sanctions are not intended only to inflict economic damage, but to create the political preconditions for justifying waging actual war.

The key factors in the sanctions fight will be Russia and China, and there are good reasons

to hope that both will stick to their guns at the upcoming Berlin meeting. The National Intelligence Estimate (NIE) report of December, provided Russia and China with precious ammunition — and from U.S. intelligence agencies no less! — to argue their case that Iran was not seeking nuclear weapons, but only nuclear energy for peaceful purposes, as guaranteed by the International Atomic Energy Agency and Non Proliferation Treaty, both of which Iran had endorsed.

Both Russia and China have since then moved to manifest their resolve that the nuclear file will not be used as a *casus belli* and, also, that further sanctions against Iran would be unacceptable. Moscow responded to the issuance of the NIE report by announcing it would deliver nuclear fuel to Iran's Bushehr plant. This was no minor event. Anyone who has followed the story of Iran's fight for nuclear energy, knows that the Russians, who took over the task of completing the Bushehr plant after the Germans foolishly had abandoned it, have been playing cat-and-mouse with Tehran, promising to deliver the fuel, then always finding good reasons why such deliveries had to be postponed. Iran had not paid in full, they said, or there were other reasons. In reality, these were diplomatic excuses. Thus, when Russia finally made its first delivery of fuel to Bushehr on December 17, this was a political message: Russia will stand by its agreements with Iran. Sergei Shmatko, president of Atomstroieksport, the Russian contractor for the Iranian nuclear plant at Bushehr, was quoted by PressTV on December 18, saying, "We have resolved all the problems with the Iranians. We have agreed with our Iranian colleagues a timeframe for completing the plant."

The second consignment of Russian fuel took place on December 28, the third, on January 18, and the fourth, on January 20. With this last shipment, Russia has delivered one-half the fuel required, that is, 44 tons out of a projected 82 tons. The last shipment is scheduled for next month. The Iranians say they hope that the Bushehr plant will finally be able to start functioning during the first half of 2008. If that occurs, it will not only chalk up a defeat for the war party, but also constitute a setback for the Malthusians who would like to deny all developing sector nations the access to nuclear energy technology.

But there is more. As Mohammad Saeedi, deputy head of the Atomic Energy Organization of Iran, stated on December 19, the delivery of Russian fuel would lead to further strategic ties between Russia and Iran. Included in this growing strategic partnership are cooperative deals in the energy sector. On January 15, ITAR-TASS reported on Iranian expectations that Gazprom would present proposals for gas and oil cooperation. Also in the defense sector, Moscow is lending a helping hand to Tehran. On December 26, PressTV reported that Russia would deliver the S-300 long-range surface-to-air missile defense system to Iran.

As for China, the message has been similar in content though delivered in another format. Saeed Jalili, the new Secretary of Iran's Supreme National Security Council, and chief nuclear negotiator, was in Beijing January 17, for talks with top leaders on the sanctions issue. The Director-General of the Department of West Asian and North Africa of the Chinese Foreign Ministry, Song Aiguo, told Jalili that his country and Russia were committed to reduce pressures on Iran regarding the nuclear issue. Jalili, for his part, reiterated Tehran's commitment to continue cooperation with the IAEA. At the same time, Iranian Deputy Foreign Minister for Asia-Pacific Affairs, Mahdi Safari, was also in Beijing, for talks with his Chinese counterparts.

Following his extensive discussions, Jalili announced on January 18, as reported by AP, that Beijing and Tehran agreed on crucial foreign policy issues. "Concerning the Iranian nuclear issues," he told press, "we have a lot of areas where we are in agreement. We have a

common view on sanctions and the right for every nation to peacefully use nuclear energy." Xinhua reported that Tang Jiaxuan, China's foreign policy chief, reiterated China's position that the issue should be solved through diplomacy. "The international community," he was quoted saying, "should beef up diplomatic efforts to facilitate the resumption of negotiations and achieve a comprehensive settlement of the issue." Chinese Foreign Minister Yang Jiechi reportedly told Jalili that "The Iranian nuclear issue is now at a crucial moment," and expressed hopes that all sides would resume talks. Yang had just met with U.S. Deputy Secretary of State John Negroponte, who had taken a diametrically opposed message to Beijing, pleading for China's support for sanctions.

At the same time, if the pro-sanctions lobby had hoped for support from the IAEA, those hopes were dashed after leading representatives of the U.N. agency for nuclear energy had concluded satisfactory talks in Tehran. Following the visit of an IAEA delegation to Iran in early January, to clarify further unanswered questions regarding Iran's program, the director general of the body, Dr. Mohammad ElBaradei, visited the Iranian capital for talks. He met not only with government and nuclear sector representatives, but also with the Supreme Leader of the Islamic Revolution, Ayatollah Ali Khamenei. This was important. Khamenei does not routinely receive foreign guests. From accounts published in the Iranian press, it appears the encounter was not insignificant. According to IranManiaNews on January 13 ([www.iranmania.com/News/Article View/viewprintablearticle.asp](http://www.iranmania.com/News/Article View/viewprintablearticle.asp)), Khamenei urged ElBaradei to preserve the independence of the IAEA as an international organization, and reiterated the Islamic Republic's rejection of nuclear weapons on religious grounds. Khamenei then came to the central point: "America's problem with Iran," he was quoted saying, "goes beyond the nuclear issue," suggesting that the U.S. wanted to exploit the nuclear issue to target Iran. He also stated that the entire dossier should be returned to the IAEA, as there is no justification for its being dealt with at the U.N. Security Council. It was agreed that Iran would have a month or so to clarify open questions.

As of this writing, it therefore does not look good for the sanctions lobby, not to mention the Cheneyite war party. Although the German government of Chancellor Angela Merkel and her Foreign Minister Walter Steinmeier (who should know better), have been lobbying for further sanctions, and actually issued the invitations for the January 22 meeting of foreign ministers in Berlin, there is little chance that anything other than bruised egos will come out of that meeting. In a rather uncharacteristic statement, U.S. State Department spokesman Sean McCormack admitted on January 18, that Washington did not think it could force through its sanctions line this time around. "We are optimistic that we will eventually be able to get a resolution," he was quoted by Reuters on January 18. "We would have wished that we had had one by now but that is multilateral diplomacy for you," he said. When asked outright whether or not the Berlin meeting might yield a resolution for sanctions, McCormack was contrite: "It might take a little longer." He added: "You might term it a brainstorming session, about what are the diplomatic pathways available to us, so that we can pressure the Iranian regime to make a different set of choices regarding its behavior in the international system. That's the whole object of the exercise here," he concluded.

Certain signals must have been registered, even in that political Disneyland known as Washington. Among them are Russia's nuclear fuel deliveries to Iran, Moscow's announcement, almost simultaneously, that it could, if deemed necessary, launch preemptive nuclear strikes to defend its territory as well as that of its allies, continuing Russian opposition to Washington's plans for missile defense systems in the Czech Republic and Poland, as well as rejection of independence for Kosovo. Thus, it is to be expected that

the meeting of the foreign ministers of the 5+1 in Berlin, will yield {no} consensus for sanctions against Iran. Opponents of the bellicose sanctions policy can refer readily to the NIE report as well as the recent GAO study, to assert, on the basis of documents issued by official government institutions of the United States that, (1) Iran has no nuclear weapons program and (2) that the sanctions policy has been a miserable failure.

### The View From Tehran

The Iranian leadership has been pursuing a rather sophisticated two-track policy in the current juncture. On the one hand, it has rejected out of hand any talk of further sanctions, as being unwarranted, illegal, etc. On the other hand, Tehran has also sent important signals to all those with ears to hear and eyes to see, that it seriously seeks an end to the insane, hostile relationship with the U.S., and, by extension, with other nations of the West. In the time of the presidency of Seyyed Mohammad Khatami, Iran had extended its hand with an olive branch, and got little in return. Though ignored or denigrated by the international media, President Mahmoud Ahmadinejad has also proposed that the enmity dating from the 1979 revolution, be overcome. Letters he drafted to the President Bush, and to the American people, are still awaiting an answer.

In this light it is extremely important to acknowledge that the highest authority of the Islamic Republic, Ayatollah Ali Khamenei, has recently addressed the issue of relations with the U.S. Although largely ignored by the international press and, where noted at all, cast in a totally negative light, the statements attributed by Iranian media to the Supreme Leader are of historic importance. Speaking in Yazd on January 3, Khamenei, according to PressTV on January 6, "said ... that although severing diplomatic ties with the U.S. has been one of Iran's principle policies, Tehran had never indicated that it would be a permanent policy." The wire service went on to report that, however, "The Leader also emphasized that with Washington going on with its current policies, the restoration of diplomatic ties with the US is not in the Iranian nation's best interests." In short, the message was, that Iran is eager to overcome the crisis in relations which began with the 1979 revolution. But the problem lies in Washington. With the Bush-Cheney Administration in power, such a perspective for reconciliation is nil. Were a different Administration in power, things would be different. The message is, indirectly, addressed to those in the Democratic Party primaries, who could respond with a signal of openness.

Iranian sources told this author that Khamenei's statements should be taken very seriously. This is the first time that a Supreme Leader has made such reference to the possibility of restoring diplomatic relations with the U.S. Not only: the same sources pointed out that the Iranian offer made to the U.S. in 2003, to put all relevant issues on the table, had been an institutional decision, and one that could be made again today, were Washington receptive. According to VoA on January 5, State Department spokesman David Foley said that Khamenei's remarks might open the way for resumption of diplomatic relations. He said that the U.S. interpreted the statements as a sign that Iran wanted better relations, something, he claimed, Washington also desired. This was of course contradicted by Bush's blanket accusations against Iran during his recent tour. But, as this is an election year, everything could change, even in the U.S.

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