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Department of Security Studies

**The Politics of International Sanctions and their Influence
on Economy of Particular Countries - Case of Russia and
Iran**

Master's thesis

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Year of the defence: 2018

Declaration

1. I hereby declare that I have compiled this thesis using the listed literature and resources only.
2. I hereby declare that my thesis has not been used to gain any other academic title.
3. I fully agree to my work being used for study and scientific purposes.

In Prague on 10.5.2018

Marek Poč

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Abstract

Sanctions are one of the ways in which individual states or the international community can enforce their rights and interests. They can vary from banning travel to boycott and embargo affecting the entire country's economy. The sanctions have recently been practiced primarily by the European Union and the United Nations, and by the United States in case of particular countries. The topic of this work is international sanctions against Russia and Iran. Both countries have been in conflict with the international community in recent years, and both countries were punished. In the case of Iran, there were concerns about the use of the Iranian nuclear program for military purposes, the main objective was to prevent Iran from acquiring nuclear weapons. Russia has been the subject of sanctions as a result of violations of international agreements and international law on the basis of the occupation of the Ukrainian Crimea and the development of the military conflict in the East of Ukraine. The thesis describes the reasons, course and impact of sanctions imposed on Iran and Russia, the Iranian and Russian economies and their representatives. At the same time, it seeks to assess the impact of sanctions both in the economic sphere and in terms of changes in the political direction of both countries.

Abstrakt

Sankce představují jeden ze způsobů, jak mohou jednotlivé státy nebo mezinárodní společenství prosazovat svá práva a zájmy. Mohou mít rozličnou podobu, od zákazu cestování jednotlivých osob až po bojkot a embargo postihující celou ekonomiku dané země. Sankce jsou v poslední době praktikovány především ze strany Evropské unie a Organizace spojených národů, v případě jednotlivých zemí pak ze strany Spojených států. Tématem této práce jsou mezinárodní sankce vyhlášené proti Rusku a Íránu. Obě země se shodně v posledních letech dostaly do sporu s mezinárodním společenstvím, na obě země byly uvaleny sankce. V případě Íránu existovaly obavy ze zneužití íránského jaderného programu pro vojenské účely, smyslem sankcí bylo především zabránit Íránu v získání jaderné zbraně. Rusko se stalo předmětem sankcí v důsledku porušení mezinárodních dohod a mezinárodního práva na základě okupace ukrajinského Krymu a rozpoutání vojenského konfliktu na východě Ukrajiny. Práce popisuje důvody, průběh a dopady sankcí uvalených na Írán a Rusko, na íránskou a ruskou ekonomiku a jejich představitele. Zároveň se práce snaží zhodnotit dopad sankcí, jak v oblasti ekonomické, tak z pohledu změn v politickém směřování obou zemí.

Keywords

Russia, Iran, international sanctions, economics, the Iranian nuclear program, the occupation of the Crimea, European union, United Nations

Klíčová slova

Rusko, Írán, mezinárodní sankce, ekonomika, íránský jaderný program, okupace Krymu, Evropská unie, Organizace spojených národů

Title

The Politics of International Sanctions and their Influence on Economy of Particular Countries - Case of Russia and Iran

Název práce

Politika mezinárodních sankcí a jejich vliv na ekonomiku jednotlivých zemí – případ Ruska a Íránu

Acknowledgement

I would like to express my gratitude to PhDr. Vít Střítecký, M.Phil for supervision, useful recommendations, and fruitful discussions that helped to shape my thesis. Furthermore, I would like to thank my family for moral support during the process of writing this thesis.

The topic of the thesis

The diploma thesis will deal with the topic of economic sanctions, their structure, timing and impact on the studied countries. It will deal with the purpose of the sanctions, their effectiveness and the reasons for their introduction.

This diploma thesis aims to assess the effectiveness of economic sanctions against entities with varying degrees of ability to respond to imposed sanctions, assessing the success of sanctions in a country governed by ideology and on one side and secular country on the other side. The impacts of sanctions are examined both by monitoring economic parameters such as GDP development, foreign investment, or changes in import and export volumes, as well as any changes in country policy direction.

The main question of the work is the effectiveness of sanctions. The thesis seeks to answer the question of whether economic sanctions lead to the achievement of political goals, or in which case and under what conditions. It assesses the extent of the impact of sanctions in comparison with the domestic policy situation of the countries surveyed, taking into account their width, targeting and duration.

The theoretical part deals with the genesis of sanctions against the economies of both countries. It represents the course of sanctions and their impacts. It examines the relevance of imposed sanctions and seeks to find links to possible changes in the behavior of the two countries, what part of the change they respond to imposed sanctions, and what part of them the normal development and response to the international situation.

The thesis examines the period of the past 15 years, does not deal with facts that have their economic and political roots in previous years. In the case of Iran, it describes the period since the first UN sanctions on the Iranian nuclear program were imposed until 2005, when an agreement on normalization of relations was concluded with Iran. As far as Russia is concerned, the thesis deals with the period since the occupation of the Crimea and the subsequent reaction of the international community. What is being observed above all is the economic pressure from the countries practicing the sanctions and its effectiveness.

Aim of the thesis

The aim of the thesis is to assess the impact of economic sanctions on the case of two different economies - Iran and Russia. I have chosen these two countries intentionally - they are both in a completely different situation. As for Iran - Iran is one of the countries facing international sanctions over the long term, the effect of sanctions on its economy is well-proven. Secondly, there has been a significant change in orientation in Iran's policy recently. Iran is also among the countries where economic sanctions, in addition to economic impacts, have also met their political objective.

By contrast, Russia faces economic sanctions for a relatively short period of time. Russia has a different position in international politics, and sanctions are imposed on Russia for another reason. What the two countries associate with is their strong dependence on raw materials, especially oil. In both examples, it is clear that the international community is capable and willing to impose economic sanctions against both economically and militarily powerful countries and, in addition, they have a significant impact on the price of oil, which is strategically important for countries practicing sanctions.

The thesis asks whether economic sanctions have an influence to the change of the attitude of the countries, or under what conditions. It examines whether economic sanctions can completely replace military intervention, or are its appropriate complement, or whether they have any specific meaning.

Theoretical background

Economic sanctions, their meaningfulness and impacts in practice have been explored during their existence from different angles and using a variety of procedures and research methods, both qualitative and quantitative. Literature offers many case studies and their comparisons, based on economic and statistical methods of research, possibly using econometrics, to the use of scientific approaches to the theory of international relations.

International trade between countries can also be seen from the point of view of economic theory. If the theory of absolute advantage were to work, sanctions would only damage some countries, countries without commodities with the absolute advantage of simply not taking part in international trade, and the sanctions would then have gone by in their case.

In the real world are theories of comparative advantage more valid. Individual countries take into account real market parameters such as labor costs, transport availability, and focus on producing such a goods which, compared to others, can produce and sell cheaper. In this case,

when countries trade on the basis of comparative advantages, the sanction regime affects each of them. Theories of comparative advantages are also developed by other economic theories mentioned by the work, such as Hecksher-Ohlin's theory, Rational choice theory or Game theory.

Methodology

Author will provide a qualitative research methodologically based on analysis of two case studies, cases study Iran and Russia. Looking at specific cases of imposition of sanctions against Iran and Russia, the author of this thesis tries to achieve a thorough analysis and description of the situation in both countries. the collected data is interpreted, evaluated, and explained for further use in this work after thorough analysis and description.

Specific situation can be based on very specific events, developments, causes and consequences, context and subjective goals from the point of view of the countries surveyed. A good analysis must be based on the description and understanding of the reasons and motivation of both countries, including their expectations. Although the baseline situation in the two countries is completely different, the effect of the sanctions can be measured fairly well based on the common economic indicators.

Economic indicators will therefore be the main variable of the whole analysis. The basic parameters such as GDP development, foreign investment, oil price or changes in import and export volumes can be easily measured and compared. Economical parameters are general, for all countries the same, regardless of whether they are sanctioned or not. Export and import figures cannot be falsified, they are credible and truthfully depict the state of the economy.

The research will be carried out on the analysis of both primary and secondary sources mainly on the basis of secondary sources

Structure of the Thesis anticipated

Introduction

- 1. Sanction and international community** (*Introducing of sanction problematic, history of sanctions regimes*)
 - 1.1. The role of the institutions** (*The attitude of institutions such as European union or UN Security council towards sanction. The basic division of the sanctions, the possible effect of sanctions*)
- 2. Theoretical background** (*The different approaches how to approach the sanctions. Positive and negative approach. Explaining of the topic economy diplomacy*).
 - 2.1. Sanctions and economic theories** (*Introduction of economic theories concerning sanction in international trade and interantional relations. Explaining Hecksher-Ohlin's theory, rational choice theory, game theory*).

3. **Sanctions and economy of Iran** (*Background for imposing sanctions on Iran. Sanctions from UN point of view, European sanctions, US sanctions. The chronology of imposed sanctions. The termination of the sanction regime based on the The Joint Comprehensive Action Plan agreement*).
4. **Sanctions and economy of Russia** (*A description of the background and circumstances that preceded the conflict with Russia. Reaction of international community. Sanctions imposed by European union and United states and its chronology.*)
5. **Impact of sanctions on the countries surveyed** (*A description and evaluation of impact on Russian and Iranian economy and politics. Comparing economic indicators, explaining its development*)
6. **Evaluation** (*Comparing the impact of sanctions on both countries, identifying, describing and explaining differences in impact on both, Russian and Iranian economy and politics. Comparing economic indicators, explaining its development*)

Conclusion

A lot of monographic work, studies, European institutions documents and electronic sources will be used as a stem of the information for this thesis.

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Introduction

Economic sanctions are one of the instruments of international politics. The interconnectedness of economies, along with globalization, has caused economic sanctions to have a deeper impact on affected countries than, for example, the threat of military intervention. Economic relations created between countries are superior to political relations and agreements. The success of economic sanctions is then directly proportional to the importance of mutual economic relations. Sanctions interfere with the external economic relations of the affected country and thus cause damage to its business partners as well.

Economic sanctions have been used as a sanctioning tool since the beginning of international relations. From the point of view of science, economic sanctions can be classified into both economics and international relations, they cannot be categorized. This diploma thesis tries to get the essentials from both disciplines, or both views combine. As far as literature is concerned, there are, for understandable reasons, most studies from the point of view of international relations; economic sanctions are perceived primarily as a tool for enforcing political goals. The pursuit of gaining economic goals only is in literature described rather marginally.

The aim of this thesis is to assess the impact of economic sanctions on the case of two different economies - Iran and Russia. I have chosen these two countries intentionally, as both are in a completely different situation. As far as Iran is concerned, Iran is one of the countries facing international sanctions for the long term, so the impact of sanctions on its economy can be easily proved. Secondly, there has been a significant change in orientation in Iran's policy recently. Iran belongs among countries where economic sanctions, in addition to economic impacts, have met their political objective.

By contrast, Russia faces economic sanctions for a relatively short period of time. Russia has a different position in international politics, and sanctions are imposed on Russia for another reason. What associate the two countries – Iran and Russia, is their strong dependence on raw materials, especially oil. In both examples we can see that the international community is capable and willing to impose economic sanctions against both economically and militarily powerful countries and, in addition, have a significant impact on the price of oil, which is strategically important for countries practicing sanctions.

This diploma thesis aims at assessing the effectiveness of economic sanctions against entities with varying degrees of ability to respond to imposed sanctions, assessing the success of sanctions in a country governed by ideology and a secular country. The impacts of sanctions

are examined both by monitoring economic parameters such as GDP development, foreign investment, or changes in import and export volumes, as well as any changes in country policy direction.

The theoretical part deals with the genesis of sanctions against the economies of both countries. It shows the course of sanctions and their impacts. It examines the relevance of the sanctions imposed and seeks to find continuity from possible changes in the behavior of the two countries, from what part of the change they respond to imposed sanctions and from what the normal development and response to the international situation.

The thesis examines the period of the past 15 years, does not deal with facts that have their economic and political roots in previous years. In the case of Iran, it describes the period since the first UN sanctions on the Iranian nuclear program were imposed until 2005, when an agreement on normalization of relations was concluded with Iran. As far as Russia is concerned, the thesis deals with the period since the occupation of the Crimea and the subsequent reaction of the international community. What is being observed above all is the economic pressure from the countries practicing the sanctions and its effectiveness.

In terms of character, it is a monographic work based on an analysis of available resources, both electronic articles and book monographs. Among the sources from which I work above all, I would mention the publication by Robert D. Blackwill and Jennifer M. Harris *War by other means* or Glenna P. Hastedt of *American Foreign Policy: Past, Present, and Future*. The publications deal with the issue of sanctions, their types and applications. The same theme is David Cortright and George A. Lopez in *Smart Sanctions: Targeting Economic Statecraft*.

The issues of sanctions, especially their effectiveness, are also solved by authors Peter Wallensteen, Carina Staibano and Mikael Eriksson in the book *Making targeted sanctions effective: guidelines for the implementation of UN policy options*. The sanctions are also addressed by the authors Radka Druláková, Jan Martin Rolenc, Zuzana Trávníčková and Štěpánka Zemanová in a study published in the Czech Journal of International Relations entitled *Sankční politika Evropské unie: typy sankčních opatření a vztah k sankcím Rady bezpečnosti OSN*.

The relationship between economics and international relations is dealt with by Robert Gilpin in his book *Global political economy understanding the international economic order*, by Nicholas Bayne and Stephen Woolcock in *The New Economic Diplomacy: Decision-making*

and Negotiation in International Economic Relations and by Oskar Krejčí in his book *International politics*.

The relationship between Iran and the international community is dealt with by Miroslav Tůma's *Íránská jaderná dohoda a širší mezinárodní souvislosti*. This is a monograph dedicated to the Iranian nuclear agreement and its origins. The same issue is the theme of the books by Robin B. Wright, Walter Posche, Jason Starr and Patrick Clawson. *The Iran primer: power, politics, and U.S. policy*. Flynt Lawrence Leverett and Hillary Leverett in the book *Going to Tehran: why the United States must come to terms with the Islamic Republic of Iran*. also deal with the issue.

The origins of the crisis between Russia and Ukraine are dealt with by writers Vicki L. Birchfield, Alasdair R. Young in the book *Triangular Diplomacy among the United States, the European Union, and the Russian Federation: Responses to the Crisis in Ukraine*, and also publication of Inge von der Stein *Effectiveness of the economic sanctions imposed by the EU on Russia since March 2014* or Irina Busygina's book *Russia-EU Relations and the Common Neighborhood: Coercion vs. Authority*.

The topic of the work is the effectiveness of sanctions. Every sanction, economic sanctions included, has primarily a political objective, in this case a change in the policy of the countries surveyed. Thus, the work examines whether economic sanctions lead to the achievement of political goals, or in which case and under what conditions. It assesses the extent of the impact of sanctions in comparison with the domestic policy situation of the countries surveyed, taking into account their width, targeting and duration.

The thesis tries to answer two basic questions - what are the economic sanctions impact on the surveyed countries and whether the imposed sanctions have resulted in a change in the political course of the monitored countries, or to what extent.

As a method how to compare both cases were used analysis and comparison. The first chapter deals with definitions of sanctions, their division and classification. He looks at sanctions both from the point of view of international relations and economic theories, trying to define economic sanctions as one of the instruments of international politics.

The second chapter seeks to introduce the issue of international sanctions from the perspective of theoretical approaches

The third chapter describes the situation in Iran, the course of sanctions by international institutions and individual states, their interdependence and their impact on the Iranian economy.

In the fourth chapter, the thesis deals with the situation in Russia, the reaction of the international community to the occupation of the Crimea, and the chronology of the international sanctions as well.

The fifth and sixth chapter describe the impacts on economy and political attitude in both affected countries and tries to evaluate the current situation.

1 Sanctions and international community

Sanctions have recently become one of the standard tools of international politics. Economic sanctions, like other sanctions, belongs to the instruments of economic diplomacy. Pressure diplomacy is one of the instruments of international politics, it is targeted by coercive techniques, or the threat of using military force, in the extreme case the real use of military force, forcing the sanctioned state to change its attitude or behavior. In the international field, the use of military force is rather exceptional. Using of the form of economic sanctions, the diplomatic, political or economic pressure is more often.

In particular, economic sanctions seek to influence the economic parameters of a given state. Their goal is to reduce the performance of the economy, introduce trade barriers or weaken the currency. Through various tools, they can also change economic prosperity in individual sectors, but also in the whole economy of the country, in a short period of time.

International law does not strictly define when and under what circumstances sanctions may be imposed. As a rule, this is done on the basis of agreements of economically significant subjects such as the United States or the European Union, the ideal situation is the introduction of sanctions on the basis of UNSC. In general, economic sanctions are imposed in two reasons - a breach of obligations in a trade relationship between countries where a country is sanctioned by a direct participant in a business relationship, or also by trading partner. The second reason for economic sanctions is the international will to pursue a political goal, such as the prevention of WMD production, the human rights issue, the pressure to change the political regime, etc.

1.1 The role of institutions

A number of past research confirms that two conditions must be met to successfully enforce sanctions - they must be based on a multilateral principle and must have broad support from other countries. Unilateral sanctions imposed by the theory do not give much success to their limited effectiveness. Both in the case of economic sanctions and in the case of diplomatic sanctions, there is always a need for a functional coalition of countries which is capable to enforce the sanctions and also control its observation.¹ The study shows that if sanctions are imposed on United Nations-type institutions, the probability of reaching the target will be raised by a mere 30 percent. In general, sanctions imposed by the community of countries are about a

¹ HAASS, Richard N. Sanctioning Madness. *Foreign Affairs* [online]. 1997, 76(6), 74- [cit. 2018-03-20]. Available at: <http://www.jstor.org/stable/10.2307/20048277?origin=crossref>.

third more successful than in the case of sanctions announced by one country, albeit economically strong.²

It is clear that international sanctions should be in the hands of a global subject with broad support from other countries. The definition fully fits its structure and focus with the United Nations. There are many prerequisites for this institution to be a global guarantor and an actor in promoting the principle of collective security. As defined in Chapter VII of the UN Charter, the United Nations imposes sanctions on the basis of the Security Council's decision, in the form of resolutions. However, UN capacity is paralyzed by many constraints.

The key issue is the decision-making principle in the Security Council, where each of the five members has the right to veto. The longstanding dispute over the interpretation of the United Nations Charter on the veto has caused the UN in many cases not being able to take adequate decisions on the global situation and its ability and authority in the world to decline. The second problem that affects decision-making and, above all, the ability to promote its interest is the fact that the UN is fully dependent on the financial and military resources of its members. However, collective security becomes dependent on the current situation and, on the other hand, on the will of the superpower to solve the situation.³ The reduced ability of the United Nations is the reason why sanctions on the basis of UN resolutions account for only 5 per cent of the total number of sanctions imposed. The role of the United Nations is thus taken over by the United States and recently by the European Union.

From the point of view of the European Union, sanctions are imposed precisely in order to achieve the objectives of the Common Foreign and Security Policy. The European Union defines sanctions as "an instrument of diplomatic or economic nature designed to achieve a change in activities or policies violating international law or human rights or policies that do not respect the rule of law or democratic principles."⁴

They may be imposed against governments of countries outside the European Union on the grounds of their policies, against individual actors promoting such policies, against terrorist groups and against criminals.⁵ The sanction, as a tool based on the united action of the Member

² BAPAT, N. a T.C. MORGAN, Multilateral Versus Unilateral Sanctions Reconsidered: A Test Using New Data. *International Studies Quarterly* [online]. 2009, **2009**(53), 1075-1094 [cit. 2018-04-17]. Available at: <http://doi.wiley.com/10.1111/j.1468-2478.2009.00569.x>.

³ KOŠTOVAL, Daniel, *Sankce Rady bezpečnosti OSN a donucení v mezinárodním právu*, [online]. 1995 [cit. 2018-04-20]. Available at: <https://mv.iir.cz/article/view/948/998>. p. 89.

⁴ Sanctions, *European Commission: Service for foreign policy instruments* [online]. [cit. 2018-05-01]. Available at: http://ec.europa.eu/dgs/fpi/what-we-do/sanctions_en.htm.

⁵ Sankce: jak a kdy EU přijímá omezující opatření, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-05-02]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/>.

States in the context of European Political Cooperation began to be implemented by the European Union in the 1980s. The European sanctions policy was subsequently incorporated into the Single European Act.⁶ The European Union now understands sanctions as one of the instruments of the Common Foreign and Security Policy, as part of the European Union's second pillar.

The rules on the use of sanctions or restrictive measures were adopted in the European Union in 2004 when the EU's Political and Security Committee approved the principles for their use, implementation and impact control. Under Article 21 (2) of the Treaty of Lisbon, the sanctions imposed by the European Union are primarily intended to promote the three basic objectives - protecting common values, interests, security and integrity, then consolidating democracy and the rule of law, including the principles of international law, and finally maintaining peace, conflicts and strive for international security.⁷

The European Union today uses two types of sanctions, autonomous and non-autonomous. Non-autonomous sanctions are basically implementing sanctions based on the UNSC resolution, autonomous sanctions are based on the decision of the European Union mainly.⁸

The international community has gone in many cases in history to impose economic sanctions. Recently, sanctions have been targeted against South Africa, Libya, Rwanda, Somalia, Iraq, Iran, the DPRK, and other countries with some form of undemocratic repressive regime.⁹ Sanctions policy, in addition to the United Nations and the United States, has also been used in recent times by the European Union as well.

By imposing sanctions, the UN monitors in particular cases the enforcement of its own resolutions. However, the problem is the way of decision making and the adoption of sanctions, the obstacle to seeking consensus is above all the right of veto of permanent members. For this reason, sanctions are often imposed by individual countries, especially the United States. Recently, the European Union also acts as an active player in sanctioning policy. As the European Union and the United States are the most advanced economies in the world, economic sanctions in particular have much greater enforcement capacity and effect.

⁶ DRULÁKOVÁ, Radka., Jan Rolenc MARTIN, Zuzana TRÁVNÍČKOVÁ a Štěpánka ZEMANOVÁ, 2011. Sankční politika Evropské unie: typy sankčních opatření a vztah k sankcím Rady bezpečnosti OSN. *Současná Evropa* [online]. 2011(2), 3-19 [cit. 2018-05-06]. Available at: <https://www.vse.cz/se/19>.

⁷ Ibidem, p. 8.

⁸ Ibidem p. 12.

⁹ SUJA, Miroslav, *Sankce jako nástroj mezinárodní politiky a postoj EU k jejich využívání* [online]. 7.6.2008 [cit. 2018-02-11]. Available at: <http://www.miroslavsuj.estrany.cz/clanky/mezinarodni-politika/sankce-jako-nastroj-mezinarodni-politiky-a-postoj-eu-k-jejich-vyuzivani.html>.

Opinions on the meaningfulness of introducing sanctions are different. On the one hand, it is clear that sanctions create pressure to change the position of the country against which they are directed. On the other hand, there is the view that economic growth and prosperity in each country, even undemocratic, creates pressure for democratization and social change of the same type, which is aimed precisely at economic sanctions. In the case of economic growth, the country's production increases. There is a combined demand for capital growth and labor force skills. This is conditional on the basic prerequisite for economic growth, which is the free movement of capital and goods, which necessarily leads to pressure on the open economy and the suppression of the undemocratic governance of such a state.

An example of where the sanctions have led to the achievement of the goal can be the situation in Libya. The United Nations imposed economic sanctions against the Libyan regime in the 1980s on the basis of Libyan support for terrorism and forbidden arms trade.¹⁰ Economic sanctions forced Kadafi's regime to gradually fulfill all UN resolutions and the regime began to cooperate.

As the opposite case may be used South Africa. The United States has imposed an economic sanction in South Africa on the basis of the so-called Anti-Apartheid Act, in an effort to force its government to abandon racial segregation. The result, however, was the strengthening of the ruling Caucasian minority and the deterioration of conditions for the black population.¹¹ These examples show that it cannot be concluded whether the sanctions are helping or damaging. The basic parameter is always their setting, scope and political situation in the given country.

An important aspect is the breadth of imposed sanctions. During the Cold War, the United States imposed so-called comprehensive sanctions on Cuba. Complexity consisted in the introduction of both economic and political sanctions. Cuba has come to complete isolation and has been forced to cooperate with undemocratic regimes, both with the Soviet Union and the Democratic People's Republic of Korea, later with Venezuela and Bolivia. The US policy of comprehensive sanctions in this case did not achieve its intent and, on the contrary, consolidated the anti-democratic coalition of states.¹²

¹⁰ RB OSN zrušila sankce proti Libyi, *Novinky.cz* [online]. 12.9.2003 [cit. 2018-01-15]. Available at: <https://www.novinky.cz/zahranicni/15144-rb-osn-zrusila-sankce-proti-libyi.htm>.

¹¹ UNITED STATES: COMPREHENSIVE ANTI—APARTHEID ACT OF 1986, 1987. *International Legal Materials* [online]. 26(1), pp. 77-97 [cit. 2018-03-18]. Available at: http://www.jstor.org/stable/20693060?seq=1#page_scan_tab_contents.

¹² *Ibidem*.

Any technique that leads to the achievement of a political objective or international law is considered an economic sanction.¹³ It is based on the assumption that economic sanctions targeted at the particular state will bring about a change in its policy in the short or medium term. Economic sanctions should have a double effect. On the one hand, it puts pressure on the government in terms of changes in the country's macroeconomic indicators. The deterioration in the performance of the economy then affects all population groups, especially low-income groups.

The secondary effect is therefore the creation of tensions in society and the demand for change of the political representations. The secondary effect of sanctions is, however, very controversial, because it counts on democratic principles in a given country. In totalitarian regimes of the DPRK type, it has practically no meaning. However, countries with a democratic arrangement do not usually get into a situation where sanctions should be imposed on them.

Critics of economic sanctions also point out their inefficiency, especially when dealing with major crises. In this case, economic sanctions are far from similar results, such as military intervention. Supporters of economic sanctions, on the other hand, highlight their variability and the ability to target only specific people or market segments in the affected country. They also argue that the economic growth of a country with a non-democratic regime strengthens the position of such a country and does not create the pressure of the population on social change, for example, China. Very often there is a situation where democratic countries participate in the economic growth of undemocratic countries. Moreover, in history, examples can be found where economic prosperity is slowly making a social change from undemocratic management to a free society, Chile in time of Augusto Pinochet may be the example.¹⁴

In general, economic sanctions are perceived as one of the tools to achieve peace or to settle the dispute based on economic pressure. Through economic diplomacy, individual actors try to defend their economic interests, particularly in the areas of export, import, investment and financial loans.¹⁵ Economic sanctions, including for example the introduction of duties, the freezing of activities and accounts for state officials, belong to the so-called negative instruments of economic diplomacy.

¹³ BERNHARDT, Rudolf a Peter. MACALISTER-SMITH. *Encyclopedia of public international law*. New York: North-Holland, 2003. p. 312.

¹⁴ JÉGL, Pavel, Augusto Pinochet: Padouch, nebo hrdina?. FINMAG [online]. 25.11.2015 [cit. 2018-04-21]. Dostupné z: <https://finmag.penize.cz/ekonomika/306195-augusto-pinochet-padouch-nebo-hrdina>.

¹⁵ BAYNE, Nicholas a Stephen WOOLCOCK, ed., 2011. *The new economic diplomacy: decision-making and negotiation in international economic relations*. 3rd ed., rev. and updated. Farnham: Ashgate. Global finance series. p. 362.

2 Theoretical background

The international community has always been looking for ways to respond to the threat to peace and security in a peaceful way. The fact that there is a need to find a measure that is more effective than adopting resolving resolutions on the one hand and does not have negative effects such as military intervention on the other hand has been discussed among the professionals for a long time. Flat sanctions, adopted in the last century, have not worked as intended, so the international community has come to discuss targeted sanctions.¹⁶

A strong criticism of flat sanctions has emerged in a discussion of so-called smart sanctions.¹⁷ Smart sanctions are the result of intensive debates by the international community, also known as the Interlaken process (debate on financial sanctions), the Bonn-Berlin process (dealing with arms embargo and travel ban) and, last but not least, the Stockholm process, with a clear outcome – to have sanctions effective, must be implemented through co-operation at all levels of decision-making process- from the Security Council, through its sanctions committees to the Member States and their administrative bodies.¹⁸

Such sanctions, unlike flat ones, have the potential to target as closely as possible the ruling garniture, or groups that have direct responsibility for behaving in violation of international standards and conventions. Such sanctions include economic sanctions (affecting the economy and individuals), travel restrictions and other targeted restrictions, such as limiting or losing diplomatic immunity, or reducing the study of family members of sanctioned persons at European universities.

Economic sanctions are one of the possibilities of such targeted sanctions. They are also one of the tools available to the UN Security Council, which is directly embedded within Chapter VII of the UN Charter.¹⁹ There are more ways to proceed with targeted sanctions.

The first steps in imposing the sanction regime is usually a travel ban or an interruption of diplomatic relations. Financial and commercial sanctions then come to escalate the situation. Financial sanctions affect the financial situation of the sanctioned entity and affect its financial independence. There may also be sanctions against sanctioned state officials, such as freezing their bank accounts, limiting trades or investments, limiting travel. Financial sanctions may also include a ban on the import of specific consumer goods such as luxury cars, expensive jewelry

¹⁶ WALLENSTEEN, Peter, Carina. STAIBANO a Mikael. ERIKSSON. Making targeted sanctions effective: guidelines for the implementation of UN policy options. Uppsala: Department of Peace and Conflict Research, Uppsala University, 2003.

¹⁷ Smart sanction, *Dictionary.com* [online]. [cit. 2018-04-20]. Available at: <http://www.dictionary.com/browse/smart-sanction>.

¹⁸ WALLENSTEEN, Peter, Carina. STAIBANO a Mikael. ERIKSSON. Making targeted sanctions effective: guidelines for the implementation of UN policy options. Uppsala: Department of Peace and Conflict Research, Uppsala University, 2003.

¹⁹ *Ibidem*.

or art.²⁰ Such targeted sanctions aim to force the sanctioned state's representatives to change their attitude and policy.

Commercial sanctions have far-reaching consequences because they affect the business relationship between the sanctioned state and its environment. Significant commercial measures include, in particular, boycott, embargo (oil, arm... etc) and flat-sanctions penalties. Boycott primarily consists in limiting imports from a sanctioned country, which limits the income of finance needed for financing and development of programs subjected to sanctions. A properly targeted boycott has the effect of weakening of sanctioned state position, disrupting fiscal equilibrium and, as a result, leading to economic damage that forces the sanctioned state to abandon its current policy. Boycott is most effective when is penalized a state with a significant export share of its total GDP, ideally if export revenue is based on a limited number of commodities.²¹ A typical example is Iran and the limitation of its oil exports, leading in recent years to change its policy.

If countries apply a trade embargo against a sanctioned state, there is a restriction on exports to a sanctioned country. In such a case, the sanction is to limit the availability of goods, technology or weapons. Since there is no self-sufficient country in the world, it has a well-established, and above all, all-encompassing trade embargo, a high ability to achieve its goal.

There are views that the limitation of the availability of technologies, spare parts, machinery and raw materials has a deeper impact on the sanctioned state than the boycott, and the effectiveness of the trade embargo increases. The problem of a trade embargo is the financial loss of states from unrealized trade to those countries that have imposed the trade embargo. The basic prerequisite for the success of the trade embargo is therefore its compliance by all the countries concerned. The case of such a trade embargo is, for example, current economic sanctions against the Russian Federation.

In some cases, the introduction of flat economic sanctions, which include both boycotts and embargoes, is being introduced. This type of sanction can be divided into a complete ban on dealing with a sanctioned state, which is called a trade blockade or a partial ban that concerns only a selected segment or industry. However, flat economic sanctions have a number of negative impacts, largely above all on those countries applying such sanctions. This type of

²⁰ KAEMPFER, William H., Anton D. LOWENBERG a William MERTENS. International Economic Sanctions Against a Dictator. *Economics and Politics* [online]. 2004, 16(1), 29-51 [cit. 2018-04-20]. Available at: <http://doi.wiley.com/10.1111/j.1468-0343.2004.00130.x> pp .29-51.

²¹ DAVIS, Lance a Stanley ENGERMAN. History Lessons Sanctions: Neither War nor Peace. *Journal of Economic Perspectives* [online]. 2003, 17(2), 187-197 [cit. 2018-04-20]. Available at: <http://pubs.aeaweb.org/doi/10.1257/089533003765888502>. p. 190.

sanction was used more at the end of the last century, and it was replaced by precisely targeted sanctions, such as smart sanctions.²²

So, smart sanctions combine the effectiveness of all available sanctions. They may include both embargoes and financial sanctions, as well as restrictions on the travel of specific people. The advantage of such sanctions is above all the reduction of the negative impact on the civilian population of the state where the sanctions are imposed.²³

To achieve the desired goal, the number of countries complying with the sanction policy is crucial. Sanctions may be mandatory (for example, on the basis of decisions of the UN or the European Union) or voluntary. In the case of voluntary sanctions, the boycott or trade embargo is meaningless, since their effectiveness is directly proportional to the number and cooperation of countries that practice sanctions.

The sanctions, which are practiced by a group of countries, are called multilateral ones, sanctions of one country against another, are then called unilateral. Even in the case of the United States, it is not natural that unilateral sanctions reach the set target. It can be said that the effectiveness of economic sanctions is directly proportional to the number of countries practicing the sanction regime, but also to their economic and commercial strength.²⁴

2.1 Economic diplomacy

From the point of view of foreign policy and international relations, the imposition of sanctions is a very crucial decision in which many circumstances need to be considered. The decision if the impose the sanction or not can be influenced by the size of countries, their economic relations and diplomatic relations, public opinion, international treaties, or international policy.

From the point of view of diplomacy, only two approaches are possible. The form of coercion - the threat of imposing economic sanctions in the event of failure to achieve the required concessions and objectives - a classical negative economic diplomacy - a policy of sanctions. The second option is to reach the targets in the form of a reward if the required changes are met. The form of reward can be investment, lending, but also the expulsion from political isolation.

²² WEISS, Thomas G. Sanctions as a Foreign Policy Tool: Weighing Humanitarian Impulses. *Journal of Peace Research* [online]. 2016, 36(5), 499-509 [cit. 2018-04-22]. Available at: <http://journals.sagepub.com/doi/10.1177/0022343399036005001>. p. 499.

²³ DREZNER, Daniel W., 2003. The Hidden Hand of Economic Coercion. *International Organization* [online]. Cambridge University Press, 2003, 643-659 [cit. 2018-02-25]. Available at: <http://www.jstor.org/stable/3594840>.

²⁴ KREJČÍ, Oskar, 2014. *Mezinárodní politika*. 5. upr. vyd., V Ekopressu 4. Praha: Ekopress. p. 365.

There are opinions that a second approach, when a troubled state is motivated to a positive change, results in significantly better results than deterring and practicing coercive politics. In the case of positive motivation, sanctioned states tend to cooperate also on other issues, and reversely the policy of sanctions causes a lack of communication even in previously non-problematic issues. However, it is always necessary to set up the offer so that it is motivation for the sanctioned state and for the state, which motivates the cost of achieving change not to exceed their importance. At the same time, the state or entity must be trustworthy and there must be guarantees of motivations.²⁵ The most common form of reward can be to take out the sanctioned state out of isolation and to restore economic and diplomatic relations. Another option is to mitigate or possibly abolish the sanction regime, or some form of economic or humanitarian aid.

The results of the studies show that the introduction of the elements of positive economic diplomacy is not only more successful, but also significantly cheaper. The ideal model is then to create an automatic step-by-step cancelation of restrictions in case of fulfil individual requirements.²⁶ Even the United States who always strictly enforced the sanction policy, changed its attitude after events of September 2001, when the government of G. W. Bush began to offer countries under sanctions the exchange of sanctions for cooperation in the fight against terrorism.²⁷

Of course, positive economic diplomacy also has its opponents and critics. Opponents of such an approach argue primarily that it is not possible to offer concessions or assistance to countries that fundamentally violate international law. Such an approach would also support other countries in their actions, which now do not take steps that violate international rules under the threat of sanctions.²⁸ Equally, it cannot be guaranteed that a country will give up its actions for example only in the period of humanitarian or economic aid and return to the infringement actions after its termination. Opponents of positive diplomacy are politicians themselves; the reason is obvious. The government, which has a firm stance and promotes it, is at home and beyond the borders seen as strong and has a better bargaining position than a government that offers concessions to the troubled state.

²⁵ BALDWIN, David A. The Power of Positive Sanctions. *World Politics*[online]. 1971, **24**(01), 19-38 [cit. 2018-04-20]. Available at: http://www.journals.cambridge.org/abstract_S0043887100001507.

²⁶ CORTRIGHT, David a George A. LOPEZ. *The sanctions decade: assessing UN strategies in the 1990s*. Boulder, Colo.: Lynne Rienner Publishers, 2000.

²⁷ HUFBAUER, Gary Clyde. *Economic sanctions reconsidered*. 3rd ed., Expanded ed. Washington, DC: Peterson Institute for International Economics, 2007. 233p.

²⁸ MACK, ANDREW a ASIF KHAN. The Efficacy of UN Sanctions. *Security Dialogue* [online]. 2016, **31**(3), 279-292 [cit. 2018-04-11]. Available at: <http://journals.sagepub.com/doi/10.1177/0967010600031003003>.

A prerequisite for economic diplomacy is still the credibility of the state or the group that practices such actions. There are a lot of examples in the history of the international relations when the requirements have been met but relief has not been provided. The ideal solution is therefore the combination of both approaches, which means the use of both positive and negative diplomacy tools. For example, offer partial reduction of sanctions combined with the threat of military intervention in the event of non-compliance.

This approach is then based on the economic theory of games where there are two sides to the conflict and both can lose and gain. The possible scenario includes the possibility of cooperation and rewards, as well as the possibility of non-cooperation and punishment. At this point, the theory of international relations interferes with economic theories, which may even have a deeper influence on the behavior of actors.

2.2 Principles of economic sanctions from the point of view of economic theories

Economic sanctions, their meaningfulness and impacts in practice have been explored during their existence from different angles and using a variety of procedures and research methods, both qualitative and quantitative. Literature offers many case studies and their comparisons, based on economic and statistical methods of research, possibly using econometrics, to the use of scientific approaches to the theory of international relations.

International trade between countries can also be seen from the point of view of economic theory. If the theory of absolute benefits were to work, sanctions would only damage some countries. Countries without commodities with the absolute advantage simply would not taking part in international trade, and the sanctions would not work in their case. In the real world, the theory of comparative advantage is more valid. Individual countries take into account real market parameters such as labor costs, transport availability, and focus on producing such a good which, compared to others, can produce and sell cheaper. In this case, when countries trade on the basis of comparative advantages, the sanction regime affects each of them.²⁹

The degree of liberalization of trade between countries is very important for the success of economic sanctions. Liberalization in trade from the point of view of economics is dealt with, for example, by Hecksher-Ohlin's theory. It develops the theory of comparative advantages, instead of the cost of labor, it deals more with the production's factors and the opportunity cost. The so-called Hecksher-Ohlin's theorem stems from the fact that the country will look for its

²⁹ GRIECO, Joseph M. a G. John. IKENBERRY. *State power and world markets: the international political economy*. New York: W.W. Norton & Co., c2003. p. 35.

export opportunity in a such as good that is difficult for production factor and country has enough of it, ideally more than the other country.³⁰ In order for these theories to work, trade between countries must be liberalized, it means without obstacles. The more the trade is liberalized, the more it is also sensitive to sanctions.

The theory of comparative advantages has a number of impacts. Economic subjects in the liberalized economy tend to compete in competition in the sector, which is based on rare manufacturing factors. This results in their further improvement and price reduction, which brings another comparative advantage over other countries. From the original comparative advantage, therefore, the advantage becomes competitive.³¹

With the economic benefit of international trade also agrees the opponents of its liberalization, such as John Maynard Keynes for example. He and his followers, on the other hand, promoted a significant role of the state in trade, in terms of protectionism or subsidies. States should therefore be interested in a segment of the domestic market that offers an international advantage to support or subsidize. This implies, among other things, that economic sanctions are the more effective the more they are able to focus on sectors with high competition.

Economic economics can be viewed from many perspectives. The imposition of economic sanctions can also be easily justified by using rational choice theory. The rationality of the behavior of individual actors is a prerequisite for the success of economic sanctions. Gary Becker, on the theory of rational choice, says that *"the motives in the background of human behavior can in many cases be described on the assumption that the one who chooses among the different options chooses the option that guarantees the most favorable combination of advantages and disadvantages. The decision maker is supposed to be a consistent person whose preference meets certain requirements of consistency and maximizes the utility function - that is, he tries to make the optimal choice from the options."*³²

In the case of economic sanctions, therefore, the rationality of the actors of the conflict is assumed. However, there are many parameters and circumstances why this theory in international politics is failing. States do not behave purely according to their economic interests, they influence the decision-making processes to a greater or lesser extent with aspects

³⁰ SOJKA, Jiří, 2008. DVA PROTICHŮDNÉ NÁZORY, DVĚ NOBELOVY CENY. *IList: Informační a zpravodajský server studentů Vysoké školy ekonomické* [online]. [cit. 2018-04-12]. Available at: <http://www.ilist.cz/clanky/dva-protichudne-nazory-dve-nobelovy-ceny>.

³¹ ROBERT GILPIN WITH THE ASSISTANCE OF JEAN M. GILPIN., 2001. *Global political economy understanding the international economic order*. Princeton, N.J: Princeton University Press. p. 211.

³² KORNAI, János, *Obory společenských věd: Odluka nebo spolupráce?*. *Collegium Budapest Institute for Advanced Study* [online]. Budapest [cit. 2018-01-21]. Available at: <https://www.vse.cz/polek/download.php?jnl=polek&pdf=627.pdf>.

such as religion, ideology or position in the region. All these parameters which influence the attitude and decision-making of the individual actors have one thing in common - they are not economically measurable.

It is also possible to see economic sanctions through game theory. There are two actors, assuming that the sanctioned state is one actor, and the country or community of countries that impose the sanctions are the second actor. Both actors have three options to do. The affected state may, on the one hand, withdraw from its policy, the conflict may increase, or it may come up with some surprising reaction that will require a counterparty's immediate response (for example, a military intervention that would invalidate the sanctioning decision). Countries practicing sanctions also have three options. They can ignore the situation, impose sanctions, and use a military engagement in a troubled country. Combining different choices can then lead to diametrically different results.

To be economic sanctions effective, it must therefore affect foreign trade. The theory is based on the assumption that international trade is advantageous for a particular country, thus disruption of business relations must harm country's economy. The effectiveness of the sanctions is therefore directly proportional to the country's benefits from international trade. The probability of the effectiveness of sanctions can be predicted. The openness of the country's economy and thus the sensitivity to economic sanctions can be expressed by the ratio of the sum of imports and exports to the total GDP, that implies the degree of openness of the economy. The greater the share, the more the economy is sensitive to sanctions.³³

The impacts of properly targeted sanctions on the economy are demonstrable. In the better case, the country produces below their production capacities, in the worst case the production capacities are shifting downwards, which has a negative impact on a number of economic indicators. Unemployment rises, prices rise. There is less money in the economy and among consumers, so investment is declining, and production costs are rising. All this results in a decline in the overall product and a deterioration in economic development.

³³ BURDA, Michael C. a Charles WYPLOSZ, 2009. Macroeconomics: a European text. 5th ed. Oxford: Oxford University Press. p. 450.

3 Sanctions and economy of Iran

The Islamic Republic of Iran has faced many sanctions since the 1980s, since the so-called Iranian Islamic Revolution, at that time mostly imposed by the United States. The reason for the sanctions was mainly cooperation or direct participation of Iran in terrorist activities. But since Iran was one of the major oil exporters at that time, the United States remained almost alone in its sanctioning policy. Financial restrictions and the ban on arms exports forced Iran to make some concessions but failed to stop the development of the Iranian nuclear program.

Iran has been working on its nuclear program since the 1960. At that time, it was a nuclear program for peaceful use. Iran was planning to build 22 nuclear reactors, and there was nothing to indicate that Iran would build a nuclear program for military purposes. The situation has changed as a result of Iraq - the Iranian war in the 80's in the last century. Iran's motive for a change of approach could be primarily based on a chemical attack by Iraq. After the conflict, Iran began to cooperate with other countries, especially with Russia. Many nuclear facilities were built since that time - the power plant in Busher, the Tehran power station, and other nuclear facilities in Arak, Chalus or Natanz.³⁴

In 2002, it became clear that Iran is building facilities for the military use of nuclear energy, namely for the production of enriched uranium.³⁵ Iran has allowed IAEA to control its program, but rejected the requirement to stop uranium enrichment in exchange for nuclear fuel supplies.³⁶ The Iranian government has still declared the Iranian program to be exclusively peaceful and has continued the program under threat of sanctions.

President Ahmadinejad outlined the IAEA's suspicion of military use of Iranian research and referred to the text of the NPT, of which Iran is a signatory. The NPT, in its wording, allows signatories to carry out nuclear research for peaceful purposes. The situation has escalated when the IAEA wanted to discuss the issue of Iran's nuclear research in the UN. As a response, Iran expelled the IAEA's inspectors of the Iranian program and declared its intention to continue enriching uranium for its own use.³⁷

³⁴ ROJČÍK, Ondřej, Petr VILÍMEK a Lukáš HODER. Proliferační jaderných zbraní: problémoví aktéři. 1. vyd. Brno: Masarykova univerzita, Mezinárodní politologický ústav, 2006, 120 p.

³⁵ MORA, Michael a Brian STORM, *Crisis Guide: Iran: Timeline. Council on Foreign Relations* [online]. 2014 [cit. 2018-03-05]. Available at: http://www.cfr.org/interactives/CG_Iran/index.html#/timeline/.

³⁶ BLÁHOVÁ, Marcela, Michal ČÁSTEK, Jan NĚMEC a Štěpán PECHÁČEK, 2006. *Současný vývoj Íránu* [online]. Parlamentní institut, 2006 [cit. 2018-04-21]. Available at: <http://www.psp.cz/sqw/text/orig2.sqw?idd=20654>.

³⁷ Ibidem.

3.1 The UN sanctions

International sanctions have been imposed on Iran because of the Iranian regime's attempt to acquire its own atomic weapons. The issue of the Iranian atomic program has far-reaching implications for the entire Middle East region. If Iran, as one of the signatories of NPT³⁸ has developed its own nuclear weapon, is more than likely then it will be taken by other countries in the area as well.

The UN Security Council has begun to deal with the situation in Iran in mid-2006. Through resolutions, UN tried to produce pressure on Iran to force it to abandon its uranium enrichment program, the resolutions targeted the Iranian missile program as well. The resolutions included both financial and diplomatic constraints - in particular, a ban on travel for Iranian nuclear program representatives, including the freezing of their deposits. However, the resolutions were only defined in way that the UNSC was able to accept the resolution, particularly with regard to China and Russia position.³⁹

The first resolution, which dealt with uranium enrichment in Iran, was adopted by UN RB in July 2006 as resolution No. 1696. The purpose of the resolution was, through diplomatic negotiations, to force Iran to guarantee the peaceful use of the Iranian nuclear program. The resolution was based precisely on the principles of positive economic diplomacy, and Iran was promised by the international community concessions in case of acceptance of the IAEA requirements. Other countries were only warned about the issue of trading with Iran and were asked to suspend the provision of nuclear technology to the Iranian government.⁴⁰

The second resolution, which was adopted by UN RB in December 2006, was resolution 1737. The second resolution responded to the Iranian government's unwillingness to cooperate on the basis of Resolution 1696. Trade sanctions were taken, mainly Iranian trade with technology was affected and foreign Iranian accounts were frozen. Other countries were ask to take an active approach to ending commercial cooperation with Iran on military or nuclear research. In addition, countries were alerted to the issue of free travel through their territories of persons directly linked to Iran's nuclear research.⁴¹

³⁸ Treaty on the Non-Proliferation of Nuclear Weapons (NPT), IAEA: International Atomic Energy Agency [online]. [cit. 2018-03-18]. Available at: <https://www.iaea.org/publications/documents/treaties/npt>.

³⁹ WRIGHT, Robin B., Walter POSCH, Jason STARR a Patrick CLAWSON. The Iran primer: power, politics, and U.S. policy. Washington, D.C.: Published in collaboration with Woodrow Wilson International Center for Scholars, 2010, ix, 270 p. p. 119.

⁴⁰ S/RES/1696 (2006), *United Nations Security Council: Subsidiary organs* [online]. 2006 [cit. 2018-03-19]. Available at: <https://www.un.org/sc/suborg/en/s/res/1696-%282006%29>.

⁴¹ Ibidem.

The objective of the sanctions was obvious - to prevent the Iranian government from further developing nuclear technology and, above all, obtaining nuclear weapons. The second resolution, however, has come up with the issue of resolutions adopted in the United Nations - Russia has withdrawn from blocking the resolution after concessions and restricting some sanctions, such as the exception for the Russian-built atomic power plant in Bushehr.⁴²

The third UN resolution on the situation in Iran was resolution 1747, adopted in March 2007. The resolution contains an implicit ban to countries on trade with Iran concerning commodities and technologies related to Iranian nuclear program. Except for lending for humanitarian reasons, it forbids countries and banks to participate in investments in Iran. Similarly, the list of persons and entities against whom sanctions are directed is expanded. Restrictions on travel from the previous resolution are changing to a clear ban on traveling for persons on the sanction list.⁴³

Resolution 1803 adopted a year later, in March 2008, is the fourth UN resolution on Iran's nuclear program. Concerning the adoption of this resolution, a long discussion has taken place in the United Nations. Information from the intelligence spoke about the suspension of Iran's atomic program, and Iran resumed cooperation with the IAEA. For this reason, especially China and Russia, representatives of permanent members of the Security Council and states such as Vietnam, South Africa and Libya as well have refused to impose new sanctions against Iran. The United States and European countries, on the other hand, insisted on tightening existing sanctions and imposing new ones, mainly for failing to respect earlier sanctions.⁴⁴

The resolution was finally adopted, bringing new restrictions to the banks. Especially in a resolution are restricted Iranian banks Saderat and Melli, which are reported to have contributed to the financing of the Iranian nuclear program. Towards other countries, the sanction regime was broadened by recommendations on the control of shipping and air travel to Iran.⁴⁵

Since March 2008 and resolutions 1803, the international community has attempted to find an agreement with Iran in order to allow the operation of peaceful Iranian facilities. Iran was submitted an agreement to buy Iranian uranium, its subsequent enrichment and transformation

⁴² WRIGHT, Robin B., Walter POSCH, Jason STARR a Patrick CLAWSON. *The Iran primer: power, politics, and U.S. policy*. Washington, D.C.: Published in collaboration with Woodrow Wilson International Center for Scholars, 2010, ix, 270 p. ISBN 978-160-1270-849. p. 120.

⁴³ S/RES/1747 (2007), *United Nations Security Council: Subsidiary organs* [online]. 2007 [cit. 2018-03-19]. Available at: <https://www.un.org/sc/suborg/en/s/res/1747-%282007%29>.

⁴⁴ WRIGHT, Robin B., Walter POSCH, Jason STARR a Patrick CLAWSON. *The Iran primer: power, politics, and U.S. policy*. Washington, D.C.: Published in collaboration with Woodrow Wilson International Center for Scholars, 2010, ix, 270 p. ISBN 978-160-1270-849. p. 120.

⁴⁵ S/RES/1803 (2008), *United Nations Security Council: Subsidiary organs* [online]. 2008 [cit. 2018-03-19]. Available at: <https://www.un.org/sc/suborg/en/s/res/1803-%282008%29>.

into fissile material that can only be used in power stations, not for military purposes. Iran has refused to accede to this agreement, confirming the suspicion of countries accusing it of continuing to enrich uranium for military purposes. In 2009, a secret facility for uranium enrichment was then discovered.⁴⁶

These facts led to the adoption of another resolution, number 1929 in March 2010. Again, there has been a tightening of the movement of persons associated with the Iranian program, as well as an increase in controls in air and maritime transport. It establishes for a period of one year the so-called Expert Panel, which is responsible for monitoring compliance with imposed sanctions. At the same time, the commitment of the United States, Russia, the United Kingdom, China, France and Germany to the treaty is to be observed and to cooperate in their enforcement. Iran has also been offered economic and humanitarian aid in the case of cooperation.⁴⁷

In the years 2011 to 2013, the mandate of the Panel of Experts was extended for the next one year. In November 2011, the IAEA released a quarterly report on the state of the Iranian nuclear program. The report describes the pace and potential of the Iranian nuclear program and its possible use for military purposes. Concerns have raised above all the information on Natanz's nuclear fuel enrichment facility, which has been able to produce over 10 tones of UF₆ light-enriched uranium and nearly 20 percent of enriched uranium U-235 since 2007. The second discovered place with fuel enrichment ability was a Fordow near Qom city, where Iran tripled the production of enriched uranium.⁴⁸

Concerns from the international community have led to further sanctions and further pressure on Iran. In addition to sanctions on the part of the United Nations, pressure was put on Iran both by the European Union and mainly by the United States.

3.2 Sanctions by the United States

The history of the United States' sanctions towards Iran is long and dates back to the Iranian Islamic Revolution. Mostly the United States, largely by means of sanctions, has protected its trade interests in the region. Relations between both countries have been changing in nature over time. At the beginning of the century, relations were at such a level that Iranian president

⁴⁶ WRIGHT, Robin B., Walter POSCH, Jason STARR a Patrick CLAWSON. The Iran primer: power, politics, and U.S. policy. Washington, D.C.: Published in collaboration with Woodrow Wilson International Center for Scholars, 2010, ix, 270 p. ISBN 978-160-1270-849. p. 120.

⁴⁷ S/RES/1929 (2010), *United Nations Security Council: Subsidiary organs* [online]. 2010 [cit. 2018-03-19]. Available at: <https://www.un.org/sc/suborg/en/s/res/1929-%282010%29>.

⁴⁸ TUČEK, Filip, Sankce a Írán: dlouholetý vztah bez výsledku. *On War|On Peace: It is all about security* [online]. 13.12.2012 [cit. 2018-04-15]. Available at: <http://www.onwar.eu/2012/11/13/sankce-a-iran-dlouholety-vztah-bez-vysledku/>.

Chatami was among the first politicians to publicly condemn terrorist attacks on September 1, 2001. The Supreme Leader Ali Khamenei followed him shortly.⁴⁹

The situation between countries has escalated again in 2002 when George W. Bush, in his speech on the state of the Union, has included Iran between Iraq and North Korea into the so-called "Axis of Evil" and accused Iran of trying to obtain a nuclear weapon.⁵⁰ In August 2002, US intelligence agencies revealed that Russia, despite UNSC resolutions, supplied Iran with equipment and technology to build two new facilities that were classified as part of the Iranian nuclear program.⁵¹

In 2005, following the victory of Mahmoud Ahmadinejad, Iran openly declared the resumption of efforts to enrich uranium and the end of the policy of openness to IAEA inspectors. UNSC responded by the already mentioned resolution 1737 and by introducing sanctions, the United States responded by restricting Iran's access to the US financial markets. Restrictions on trade with Iran concerned only American banks.

A year later, in 2006, the United States extended its ban on trading in its financial markets by introducing a ban on indirect transactions. Affecting such transactions made trading between Iranian and US banks impossible via intermediary banks. In addition to US banks that had previously been banned from trading with Iran, the non-US banks that would be in contact with the Iranian regime also applied sanctions.⁵²

In 2009, following Barack Obama's election, the period of change in access to sanctions and their acceleration occurred. Barack Obama's policy has been built on diplomacy and finding more solutions in comparison to his predecessor.⁵³ In addition to the sanctions, the United States tried to motivate Iran, as well as trying to find new areas where it could be pushed to Iran without having a negative impact on the civilian population.

President Obama has agreed on the possibility of a cyber-attack against Iran. Soon after starting his mandate, he has approved the development of a computer virus designed for a targeted

⁴⁹ LEVERETT, Flynt Lawrence a Hillary Mann LEVERETT. *Going to Tehran: why the United States must come to terms with the Islamic Republic of Iran*. First U.S. Edition. 478 pages. s. 118.

⁵⁰ Text of President Bush's 2002 State of the Union Address, *The Washington Post* [online]. 29.01.2002 [cit. 2018-04-21]. Available at: <http://www.washingtonpost.com/wp-srv/onpolitics/transcripts/sou012902.htm>.

⁵¹ SANGER, David. E., THREATS AND RESPONSES: WEAPONS PROGRAMS; U.S. Says Russia Helped Iran in Nuclear Arms Effort, Adding to Concerns About Allies. *The New York Times* [online]. 16.12.2002 [cit. 2018-04-14]. Available at: <https://www.nytimes.com/2002/12/16/world/threats-responses-weapons-programs-us-says-russia-helped-iran-nuclear-arms.html?ref=nuclearprogram>.

⁵² KATZMAN, Kenneth, *Iran sanctions: CRS Report for Congress* [online]. 2009 [cit. 2018-04-21]. Available at: http://www.parstimes.com/history/crs_oct_09.pdf

⁵³ TŮMA, Miroslav. *Íránská jaderná dohoda a širší mezinárodní souvislosti*. Praha: Ústav mezinárodních vztahů, 2016.

attack on Iranian nuclear facilities called the Olympic Games. In the year 2010, when the computer program was expanded, due to its destructive activity, in the troubled complex of Natanz, 20 percent of Iranian enrichment facilities were eliminated or destroyed.⁵⁴

In 2010, Congress adopted another law on sanctions against Iranian regime - Comprehensive Iran Sanctions Accountability and Divestment Act. The adopted law followed UN sanctions, as well as earlier United States sanctions. The import of Iranian food and carpets into the United States was banned, and, in particular, a ban was imposed on the export of refined crude oil to Iran.⁵⁵ Iran, as a country with huge oil fields and due to previous sanctions, did not have enough technology to process crude oil. Therefore, Iran had to import Iranian processed oil back into the country.

US firms have stopped trading with the Iranian oil sector. The ban on trade issued by the US government concerned both the Iranian government and the entities and individuals linked to the Iranian oil sector. The ban was not limited to companies but also to American citizens. American sanctions are also targeting foreign companies buying Iranian oil, except for companies that have proven to reduce Iranian oil imports.⁵⁶ Based on this, for example, sanctions were imposed in 2011 against Venezuela for dealing with oil products with Iran.⁵⁷

Since the imposition of the first sanctions, the United Nations has been cooperating with other countries, notably with the European Union, to comply with the adopted measures. The adopted US law, which included divestment as well, was also supported by many European and global companies such as Toyota, Peugeot, General Electric and others, and closed their branches in Iran.⁵⁸ The goal of adopted sanctions was to create dissatisfaction in society and pressure on the Iranian government.⁵⁹ The measures taken in the law were very effective. Although Iran could have exported oil, it suffered from its deficiency.

⁵⁴ SANGER, David. E., Obama Order Sped Up Wave of Cyberattacks Against Iran. *The New York Times* [online]. 1.6.2012 [cit. 2018-04-14]. Available at: <http://www.nytimes.com/2012/06/01/world/middleeast/obama-ordered-wave-of-cyberattacks-against-iran.html?gwh=56C7C4FA0198195B3D8987100BC1BD1D&gwt=pay>.

⁵⁵ *COMPREHENSIVE IRAN SANCTIONS, ACCOUNTABILITY, AND DIVESTMENT ACT OF 2010* [online], 2010 [cit. 2018-02-05]. Available at: <https://www.treasury.gov/resource-center/sanctions/Documents/hr2194.pdf>.

⁵⁶ Historická dohoda s Íránem. Podívejte se, jaké sankce skončí, *Aktualne.cz* [online]. 14.7.2015 [cit. 2018-04-21]. Available at: <https://zpravy.aktualne.cz/zahranici/iranske-sankce/r-059cae362a0411e598af002590604f2e/?redirected=1524331683>.

⁵⁷ JONES, Steve, A History Of U.S. Sanctions Against Iran: The U.S. lifted most of its sanctions against Iran in 2016. *ThoughtCo* [online]. 3.6.2017 [cit. 2018-04-10]. Available at: <https://www.thoughtco.com/a-history-of-u-s-sanctions-against-iran-3310088>.

⁵⁸ KATZMAN, Kenneth, *CONGRESSIONAL RESEARCH SERVICE* [online]. 2013 [cit. 2018-04-19]. 77p. Available at: <http://fpc.state.gov/documents/organization/211137.pdf> s.48-49.

⁵⁹ ERDBRINK, Thomas a Colum LYNCH, Iran is ready for planned U.S. sanctions targeting fuel imports, analysts say: 24.6.2010. *The Washington Post* [online]. [cit. 2018-03-12]. Available at: <http://www.washingtonpost.com/wp-dyn/content/article/2010/06/23/AR2010062303770.html>

In 2011, the sanctions were tightened again and were affecting the entire Iranian petrochemical industry, imports of necessary technologies, and the import of petrochemicals. At the beginning of 2012, the financial accounts of Iranian banks and the Iranian government in US banks were frozen. In the same year, a new law was introduced - the Iran Threat Reduction Act.⁶⁰ The law has precisely defined the range of companies and activities that will be affected in the case of cooperation with Iran by the impossibility of trading with the United States.

The new law on restricting financial flows has also limited the possibilities of insurance for Iranian entities in the US market. This has caused the Iranian maritime transport problem, particularly Iranian tankers, which have been used to export crude oil to third countries.⁶¹ The Iranian currency was affected in 2013, and the newly-adopted measure banned banks from trading with the Iranian rial, including keeping accounts in that currency.

In 2013, after winning of Hassan Rouhani in the presidential election in Iran, relations between Iran at one side and the United Nations and the European Union on other side, as well as with the United States, improved. While Hassan Rouhani was until then the negotiator of the Iranian party on nuclear program agreements, there was a period of convergence and a search for a common agreement that would lead to the lifting of sanctions and the establishment of normal diplomatic relations between the two countries.

3.3 The European sanctions

The role of the European Union has been for a long time only in promoting compliance with UNSC resolutions. Given that the impact of the sanctions announced in 2006-2010 on the basis of the resolutions was not the same as the European countries expected, the European Union went on to impose its own sanctions in 2010.

In the years 2010-2014, the European Union came up with several tightening measures towards Iran. The European sanctions concerned mainly the export and import of technology and commodities in connection with uranium enrichment and arms contracts. Furthermore, the European Union has imposed an embargo on any cooperation with the Iranian nuclear and arms industries.

In 2010, the European Union adopted a ban on the investment of European countries into Iranian industry. Deposits of Iranian banks, including the Iranian central bank, have been frozen

⁶⁰ H.R. 1905 (112th): Iran Threat Reduction and Syria Human Rights Act of 2012: Iran Threat Reduction and Syria Human Rights Act of 2012, *Govtrack* [online]. 3.8.2012 [cit. 2018-04-21]. Available at: <https://www.govtrack.us/congress/bills/112/hr1905/text>.

⁶¹ *Ibidem*.

and money transfers have been limited on the international banking market. Similarly, the European Union has limited the export and import of a wide range of goods. Restrictions on trade related to weapons, dual-use items and material that could be used in the Iranian petrochemical or nuclear industry. Financial support for investment in the Iranian economy was also stopped. Providing of loans, including business transaction insurance, has been stopped. Sanctions also affected the trading of precious metals, diamonds and gold.⁶²

An additional sanction against Iran was the announcement of the oil embargo in 2012. The import and export of Iranian crude oil was limited, the ban related also on the import of natural gas, oil and petroleum and petrochemical products into the European Union, including the financing of related activities. Export of European technologies for these commodities was banned as well. Investments of European firms into the Iranian processing industry have ceased completely. The sanctions also concerned energy, precious metal processing, information technology etc.⁶³

The transport sector was also affected. At European airports, Iranian aircraft could not land. Iranian tankers lost their ability to use the EU flag and ships carrying material on the sanction list were denied access to European ports. There have also been sanctions against particular Iranian regime exponents. Measures have been put in place to restrict movement in the countries of the European Union and to freeze the assets of specific persons. In 2012, Iran was removed from the SWIFT group, making it practically impossible for interbank transactions.⁶⁴

3.4 Termination of sanctions against Iran

In 2013, Iran's attitude to international pressure has changed. Their roles played the effects of sanctions, but also a change in the leadership of the Iranian regime - Mahmoud Ahmadinejad was replaced by more for Western-oriented Hassan Ruhani. In November, negotiations were held in Geneva between the United States, China, Russia, France, Great Britain (permanent members of the United Nations), Germany, the European Union, at one side, and Iran on the other side. It resulted into a six-month negotiation agreement that should lead to resolving a long-standing dispute.

Iran has agreed to many concessions. He agreed to end the enrichment of his uranium to more than 5 percent and at the same time to destroy uranium reserves enriched over 20 percent,

⁶² Omezující opatření EU vůči Íránu, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-04-21]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/iran/>.

⁶³ PATTERSON, Ruairi, EU Sanctions on Iran: The European Political Context. *Middle East Policy Council* [online]. [cit. 2018-04-21]. Available at: <http://mepc.org/eu-sanctions-iran-european-political-context>.

⁶⁴ Omezující opatření EU vůči Íránu, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-04-21]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/iran/>.

including the destruction of all necessary equipment. It also allowed IAEA inspectors access to the disputed sites of the Natanz and Fordo complexes, including the giving of security camera records. He stopped the rebuilding of the Arak power plants, where the international community suspected the transformation of the power plant to produce plutonium and promised to provide detailed documentation of the entire facility.

In return, the international community promised not to impose any new sanctions in case of these concessions, while allowing Iran to deal in part with a non-conflict raw material - precious metals, cancel sanctions on the Iranian car industry, and allow export Iran's crude oil and other petrochemical products.⁶⁵ The Joint Action Plan agreement came into force in January 2014, and will be replaced with a comprehensive agreement within one year that will lead to the lifting of all sanctions.⁶⁶

During 2014, many proclaimed goals were indeed respected. Iran has resumed talks with the IAEA, with which it has concluded a new, bilateral agreement and inspections beyond its obligations stemming from the NPT signatory's duty, for example allowing control in the uranium mines or the Arak power plant.⁶⁷ At the same time, however, the Iranian Parliament adopted a resolution in the form of a law that in the case of imposing further sanctions on the Iranian program, it is entitled to start enriching of the uranium far beyond the required 5 percent, up to 60 percent.⁶⁸

In July 2015, the participating countries adopted the final agreement - a Joint Comprehensive Plan of Action, or Joint Comprehensive Action Plan. The Joint Comprehensive Action Plan was the agreement of six superpowers and Iran containing concrete steps leading to the lifting of all anti-Iranian sanctions.⁶⁹ The agreement contained both - agreements about limitation of the Iranian nuclear program and its control, as well as the issue of trade in conventional weapons and ballistic missiles.

⁶⁵ Iran agrees to curb nuclear activity at Geneva talks, *BBC News* [online]. 24.11.2013 [cit. 2018-04-21]. Available at: <http://www.bbc.com/news/world-middle-east-25074729>.

⁶⁶ Omezující opatření EU vůči Íránu, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-04-21]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/iran/>.

⁶⁷ TŮMA, Miroslav, Dohoda s Íránem: úspěch, nebo historická chyba?. *Institute of International Relations Prague* [online]. 13.8.2015 [cit. 2018-04-05]. Available at: <http://www.iir.cz/en/article/dohoda-s-iranem-uspech-nebo-historicka-chyba>.

⁶⁸ Iran lawmakers introduce uranium – enrichment bill, *The Washington Post* [online]. 25.12.2013 [cit. 2018-04-20]. Available at: Available at: http://www.washingtonpost.com/world/middle-east/iran-lawmakers-introduce-uranium-enrichment-bill/2013/12/25/c3f52580-6d8a-11e3-a5d0-6f31cd74f760_story.html?tid=up_next.

⁶⁹ Přelomová dohoda světových mocností s Íránem o jeho jaderném programu, *Eretz.cz: Izrael a Blízký východ* [online]. 16.7.2015 [cit. 2018-02-19]. Available at: <http://m.eretz.cz/souvisi/spolecny-komplexni-akcni-plan-joint-comprehensive-plan-of-action/>.

It was agreed to establish a joint commission with representatives of all parties of the agreement. The position of the IAEA has been strengthened, the outcomes of its activities have been the subject of an investigation in both the joint commission and the UNSC. The issue of conventional weapons and ballistic missiles has been resolved by banning import for 5 years, respectively 8 years. The agreement was confirmed by UNSC resolution 2231 on 31 July 2015. The European Union incorporated the principles of the agreement into European law on the basis of the decision of 31 July 2015.⁷⁰

In January 2016, when the IAEA confirmed Iran's compliance with the agreement, both the European Union and the UNSC lifted most of the previously adopted economic and financial sanctions related to the nuclear program.⁷¹ Based on agreement, the rest of the sanctions will disappear after 10 years of problem-free communication between the international community and Iran.⁷²

Not all countries were satisfied with adopted agreement. One of the loudest opponents was Israel, for which the guarantees of nuclear disarmament are inadequate. According to Benjamin Netanyahu, the current Israeli Prime Minister, the conclusion of an agreement in this wording for the international community was a historic mistake. The signing of the agreement Netanyahu commented "*Today the world has become a much more dangerous place, as the most dangerous regime in the world has taken a significant step towards obtaining the most dangerous weapon.*"⁷³

Disagreement with the agreement was also expressed by the US Congress.⁷⁴ A long discussion in Congress led to adopting the law, based on what is whenever possible to introduce new sanctions against Iran for the next 10 years. Newly elected United States President Donald Trump has also sharply delimited against agreement on the Iranian nuclear program during his campaign. The United States's stance and the validity of the entire agreement once again questioned, and the situation in the Middle East has returned to a phase of uncertainty and negotiation.⁷⁵ The current US government has declared its intention to withdraw from an agreement concluded in 2015 if it is not revised by Iran.

⁷⁰ TŮMA, Miroslav. Íránská jaderná dohoda a širší mezinárodní souvislosti. Praha: Ústav mezinárodních vztahů, 2016.

⁷¹ Společný komplexní akční plán a omezující opatření, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-03-21]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/iran/jcpoa-restrictive-measures/>.

⁷² Ibidem.

⁷³ Iran agrees to curb nuclear activity at Geneva talks, *BBC News* [online]. 24.11.2013 [cit. 2018-04-21]. Available at: <http://www.bbc.com/news/world-middle-east-25074729>.

⁷⁴ TŮMA, Miroslav. Íránská jaderná dohoda a širší mezinárodní souvislosti. Praha: Ústav mezinárodních vztahů, 2016.

⁷⁵ USA si ponechaly možnost uvalit na Írán sankce, podle Teheránu jde o porušení jaderné dohody Více na <http://zpravy.e15.cz/zahranicni/politika/usa-si-ponechaly-moznost-uvalit-na-iran-sankce-podle-teheranu-jde-o-poruseni-jaderne-dohody-1326792>, *E15.cz* [online]. 17.12.2016 [cit. 2018-04-17]. Available at: <http://zpravy.e15.cz/zahranicni/politika/usa-si-ponechaly-moznost-uvalit-na-iran-sankce-podle-teheranu-jde-o-poruseni-jaderne-dohody-1326792>.

The US President is obliged to submit a report every 90 days to Congress on compliance by Iran and the meaningfulness of its continuation for the United States.⁷⁶ Donald Trump, before his election, said that will no further report on this agreement to Congress and agreement therefore would automatically cease to exist. Upon the insistence of the United States partners, and in particular Germany and France, Donald Trump extended the agreement for another 4 months in January 2018 by May 2018. In addition, he imposed sanctions on the Iranian Revolutionary Guard, working closely with the government regime, and also on persons and subjects connected with the Iranian ballistic program.⁷⁷

The January extension is generally taken merely as a step that only gives the American administration more time to negotiate with its partners in Europe. US efforts to revise the deal are strongly supported by another strong player in the region - Israel. The agreement known as the Joint Comprehensive Action Plan is therefore likely to come closer to its dissolution and a new agreement will have to be adopted.

New tensions between Iran and the United States came in 2017. At the beginning of the year, Iran ran a test of new ballistic missiles despite US protests. The United States responded by imposing new sanctions against Iran, and even Donald Trump threatened Iran with military intervention.⁷⁸ Despite this diplomatic conflict, relations between the two countries remain more or less stable.

⁷⁶ Trump oznámil tvrdší sankce proti Íránu, jadernou dohodu nezrušil, *IDnes.cz: Zprávy* [online]. 13.9.2017 [cit. 2018-04-20]. Available at: https://zpravy.idnes.cz/trump-iran-jaderna-dohoda-0yd-/zahranicni.aspx?c=A171013_142858_zahranicni_aha.

⁷⁷ Spojené státy prodloužily jadernou dohodu s Íránem. Nejspíš naposledy, *Denik.cz* [online]. 13.1.2018 [cit. 2018-04-21]. Available at: https://www.denik.cz/ze_sвета/usa-prodlouzily-jadernou-dohodu-s-iranem-udajne-naposledy-20180113.html.

⁷⁸ Spojené státy uvalily nové sankce na Írán. Ceny ropy výrazně vzrostly., *Euro.cz* [online]. 13.2.2017 [cit. 2018-04-10]. Available at: <https://www.euro.cz/byznys/spojene-staty-uvalily-nove-sankce-na-iran-ceny-ropy-vyrazne-vzrostly-1328422>.

4 Sanctions and economy of Russia

Russia, after 1989, made it clear that would like to settle relations with the Western countries, today with the European Union. After Vladimir Putin's entry into office, especially in his second season in 2012, Russia did not succeed as the macroeconomic indicators should do. The results of the Russian economy at that time, compared to the conditions - especially the long-term high world oil prices and other export raw materials prices, were not good.

Russia, 25 years after the collapse of the Soviet Union, still failed to diversify its revenues and reduce the country's dependence on exports of raw materials. Corruption still has not been able to be reduced. Despite the relatively high level of education in Russian society has failed to increase the competitiveness of the Russian economy and Russian products. The economy of the world's largest state is still at the level of Spain's economy, which is not a condition that would correspond to the means Russia has gained in the past years by exporting its natural wealth.

That could be a reason why Russian leadership has come to the problems emerging in Ukraine in 2014. The possibility that Vladimir Putin could carry out an action that would distract Russian voters from economic problems and mask the otherwise weak results of his government must have been very interesting for him.⁷⁹

Problems in Ukraine were escalating in November 2013, when the Ukrainian leadership, led by Viktor Yanukovich, rejected the signing of the Association Agreement with the European Union. The Association Agreement was taken as a precursor to the agreement between Ukraine and the European Union on the entry of Ukraine into European structures.⁸⁰ Ukrainian society, at that time already very divided this decision adopted with a strong disagreement and hundreds of thousands of people came out to express their opinion in the streets of Ukrainian cities. For example, only in Kiev protested in December 2013 more than 350 000 unsatisfied Ukrainians.⁸¹

Viktor Yanukovich has begun to consult and coordinate his steps completely with Russia and the protests gained its power. Ukrainian leadership has decided to abolish the law guaranteeing minorities living in the Ukrainian border to use Russian as the second official language. This

⁷⁹ Výchročí okupace Krymu je pro Evropu varováním, *IDnes.cz: Zprávy* [online]. 16.3.2015 [cit. 2018-03-28]. Available at: https://zpravy.idnes.cz/komentar-vladimira-votapka-dfe-/zahranicni.aspx?c=A150316_085458_domaci_jw.

⁸⁰ Ukraine drops EU plans and looks to Russia, *Aljazeera.com* [online]. 2013 [cit. 2018-04-21]. Available at: <http://www.aljazeera.com/news/europe/2013/11/ukraine-drops-eu-planslooks-russia-20131121145417227621.html>.

⁸¹ 350,000 Kyiv citizens take to streets after Yanukovich's EU U-turn, *Euractiv.com* [online]. 2.12.2013 [cit. 2018-04-15]. Available at: <https://www.euractiv.com/section/europe-seast/news/350-000-kyiv-citizens-take-to-streets-after-yanukovich-s-eu-u-turn/>.

decision, of course, in the Ukrainian border region has been strongly opposed, especially in the East of Ukraine and the Crimea peninsula.⁸²

Demonstrations in Kiev were suppressed by police units in February 2014, and the Ukrainian leadership has decided to step down the increasing pressure of protesters. President Yanukovich left Ukraine to Russian asylum and on February 22, Ukraine's President Rybak resigns. Parliament, based on this of events, deprives Viktor Yanukovich of office, establishes a provisional government and announces the presidential elections on May 25, 2014.⁸³

Russia is making use of the situation, which is also very likely helped to be triggered. On March 1, 2014, the RF Council approves the use of the armed Russian Federation in the territory of Ukraine and occupies the Crimea. In mid-March, Russia held a referendum in the Crimea that did not meet any international standards where nearly 97 percent of voters (over 83 percent voter turnout) decided they wanted the Crimea to join the Russian Federation. Already two days later, March 18, a treaty on the annexation of the Crimea, which was ratified on 21 March by the Russian Parliament, was signed. Thus, the occupation of the Crimea took less than a month to Russia.⁸⁴

The question remains why Russia risked international isolation and sanctions, or some form of armed conflict with Ukraine. There can be a lot of reasons. First, Russia had to respond in some way to expanding the influence of the United States and the European Union towards its borders, as a result of signing an EU-Ukraine Association Agreement Russia would have a direct border with the European Union. Second, Russia could feel a military threat. There were reports that the United States had agreed with Ukraine to place an American base in the Crimea, but this was later refuted. The third reason could be the situation in Ukraine itself, where development did not match Russian interests and Russia felt the need to enter the situation. And finally, the fourth reason could be Russia's attempt to maintain its sphere of influence, which Russia has been trying to do since the collapse of the Soviet Union.

In any case, the popularity of Vladimir Putin has increased after the annexation of the Crimea, and his political investment in provoking the international crisis has paid off. Putin's popularity level has been at the highest level in 2014, ever since Putin became president. The impact of the events in Crimea also had an impact on the Russian government's decision to extend

⁸² Události na Ukrajině v únoru 2014, *Euractiv.cz* [online]. [cit. 2018-04-20]. Available at: <https://euractiv.cz/section/aktualne-v-eu/linksdossier/udalosti-na-ukrajine-v-unoru-2014-000111/>.

⁸³ VÍCHOVÁ, Lenka, Krátká chronologie ruské agrese na Ukrajině aneb jak co přesně nazývat. *Evropské hodnoty* [online]. 15.6.2016 [cit. 2018-04-12]. Available at: <http://www.evropskehodnoty.cz/wp-content/uploads/2016/06/Krátká-chronologie-ruské-agrese-na-Ukrajině3.pdf>.

⁸⁴ Ibidem.

intervention in the Ukrainian territory and to create a new problematic zone in Donbas and Donetsk.⁸⁵

In May 2014, the Ukrainian presidential election won Petro Poroshenko as pro-Western oriented, and the dispute between Russia and Ukraine has spread from the Crimea to the east of Ukraine. The struggles between the Ukrainian Army and the pro-Russian rebels were formally terminated by a Minsk agreement originally signed in September 2014 and subsequently renegotiated and signed in February 2015.

4.1 Sanctions by the international community

The introduction of sanctions was considered by the European Union right after the occupation of the Crimea. From the beginning of 2014, the situation in Ukraine has been the subject of many meetings of the European Council on Foreign Affairs. After the Russian referendum in the Crimea, the Council issued a statement stating that it did not recognize the referendum as an act contrary to the Ukrainian constitution, while taking a decision on the first sanctions.

Sanctions against Russia can be divided into several levels. These were diplomatic measures, when the European Union canceled the forthcoming EU-Russia summit after the events in the Crimea, as well as preparations for any other talks in this format, such as the forthcoming Russia-EU Energy dialogue.⁸⁶ It is also a restrictive measure against individuals, in the form of a ban on entry into the territory of the European Union or the freezing of personal property of specific people within the EU.

The European Union has also restricted economic relations with the Crimea. Restrictions are related to tourism, investment in peninsula infrastructure, export to Crimea and from Crimea to EU was banned.⁸⁷ By imposing sanctions on the Crimea directly, the European Union has made it clear to Russia that does not agree with the occupation of the Crimea and does not recognize it. In the region, these limitations had significant impact. Exports from the Crimean region were more than \$ 900 million in 2013. After the imposition of sanctions, it dropped to less than 90 million USD in 2015. The volume of imports then dropped from 1144 million in 2013 to 127

⁸⁵ Výročí okupace Krymu je pro Evropu varováním, *IDnes.cz: Zprávy* [online]. 16.3.2015 [cit. 2018-03-28]. Available at: https://zpravy.idnes.cz/komentar-vladimira-votapka-dfe-/zahranicni.aspx?c=A150316_085458_domaci_jw.

⁸⁶ Omezující opatření EU v reakci na krizi na Ukrajině, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-04-14]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/ukraine-crisis/>.

⁸⁷ *Ibidem*.

million USD in 2015.⁸⁸ In 2016, the Crimea Statistics Office reported an export volume of 30 million and an import of 40 million USD.⁸⁹

At the end, there have been economic sanctions targeting Russian financial institutions, arms exports and investment in oil extraction technologies as well. There has also been a reduction in economic cooperation with Russian entities, especially the European Investment Bank.⁹⁰

Although European sanctions were accompanied by steps such as the abolition of the G8 summit in Sochi and its replacement in the G7 format without Russia's participation, the rejection of the EU's participation in the EU-Russia dialogue on energy issues and the abolition of all other EU-Russia bilateral talks cannot be considered strong enough to force Russia to change its attitude. The European Union's sanctions, therefore, have a rather declarative effect, the economic impacts were not of a fundamental nature.⁹¹

The European Union's response level is mentioned among the reasons for the further escalation of the conflict, which then moved to the east of Ukraine. Repeating the scenario from the Crimea, when Russia sought to destabilize of the region and attain the separation of the eastern part of Ukraine, was prevented only by an open military conflict between the separatists supported by Russia and the Ukrainian army.

In the case of European steps against Russia, these were multilateral sanctions, which were supported by a number of key players in the international system. A number of other states, such as Canada, Norway, Australia, and, in particular, the United States, have joined the European Union with their sanctions.

American sanctions are similar to sanctions imposed by EU, they are only targeted more specifically and are aimed not only to harm Russia economically but also to increase its political isolation. In the case of the freezing of assets in US banks and a ban on trading, they are aiming directly to people who surround Vladimir Putin. The ban on trading also applies to the Russian financial sector, including banks, arms producers and, in general, the Russian defense and

⁸⁸ Omezující opatření EU v reakci na krizi na Ukrajině, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-04-14]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/ukraine-crisis/>.

⁸⁹ Geografická struktura vnější torgovli tovarymi republiky Krym v janvaremartě 2016 goda, *Krymstat* [online]. 2016 [cit. 2018-04-21]. Available at: http://crimea.gks.ru/wps/wcm/connect/rosstat_ts/crimea/resources/ddee59004d49b1cba3d8f74fc772e0bb/оф.сайт+ВЭС+reo+mapr+2016.pdf.

⁹⁰ Omezující opatření EU v reakci na krizi na Ukrajině, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-04-14]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/ukraine-crisis/>.

⁹¹ KAZUN, Anastasia, *Framing Sanctions in the Russian Media: The Rally Effect and Putin's Enduring Popularity* [online]. 2016, 24(3), 327-350 [cit. 2018-04-21]. Available at: <https://muse.jhu.edu/article/628608>. p. 328

energy sectors. It encompasses US investments in oil technology (especially exploration of new mining opportunities) and dual-use commodities (which can be used for both civilian and military purposes).⁹²

There are very close economic relations between Russia and the European Union, with a very intense and high level of trade. Economic cooperation with the European Union accounts for roughly 48 percent of Russia's total foreign trade and is thus one of Russia's main trading partners. The European Union is also the most important investor in Russia, accounting for roughly 75 percent of foreign direct investment. The economic sanctions imposed on Russia by the international community, despite all the proclamations on the Russian side, have major implications.⁹³

Russia has responded to international sanctions for its own sake, especially for internal reasons. Demonstratively imposed a ban on imports of agricultural products such as fruit and vegetables, meat, cheese and fish from the European Union, Australia, Canada, Norway and the United States for one year. Equally, Russia issued reciprocal lists of persons forbidden to enter Russian territory. Concerning the Czech Republic, there is a ban for former Foreign Minister Karel Schwarzenberg, and two Members of European Parliament, Štětina and Füle, known for their anti-Russian attitudes.⁹⁴

4.2 Chronology of international sanctions

Sanctions against Russia were imposed gradually, following the progress in deepening of the conflict between Russia and Ukraine. Several types of sanctions have been imposed during the time. They can be divided into sanctions in connection with activities threatening the integrity of Ukraine, sanctions in response to the illegal annexation of Crimea and Sevastopol, sanctions for misuse of Ukrainian state funds, economic sanctions, and the creation of a sanctioning list of persons and companies against whom restrictions have been imposed.

The first EU sanctions were imposed in March 2014, following developments in the Crimea Peninsula. On March 3, in response to the entry of Russian Special Forces into the Crimea, European G8 members decided to cancel preparations for the G8 summit scheduled for Sochi

⁹² OXENSTIERNA, Susanne a Per OLSSON, The economic sanctions against Russia. Impact and prospects of success. *FOI – Swedish Defence Research Agency*, [online]. September 2015 [cit. 2018-04-02]. Available at: <http://www.foi.se/Documents/foir4097.pdf>.

⁹³ MORET, Erica, Thomas BIERSTEKER, Francesco GIUMELLI, Clara PORTELA, Marusa VEBER, Dawid PORTELA, Dawid BASTIAT-JAROSZ a Cristian BOBOCEA, The New Deterrent? International Sanctions Against Russia Over the Ukraine Crisis: Impacts, Costs and Further Action. *PSIG Working Paper* [online]. October 2016 [cit. 2018-04-20]. DOI: MORET, Erica, Thomas BIERSTEKER, Francesco GIUMELLI, Clara PORTELA, Marusa VEBER, Dawid BASTIAT-JAROSZ, Cristian BOBOCEA. Available at: <https://www.stratcomcoe.org/new-deterrent-international-sanctions-against-russia-over-ukraine-crisis-impacts-costs-and-further>.

⁹⁴ Do Ruska nesmí čtyři Češi. Zákaz má Schwarzenberg, Štětina i Füle Zdroj: https://zpravy.idnes.cz/schwarzenberg-zenisek-stetina-a-fule-nesmi-do-ruska-fhv-/zahranicni.aspx?c=A150530_030631_domaci_mlb_IDnes.cz:Zpravy [online]. 30.5.2015 [cit. 2018-04-01]. Available at: https://zpravy.idnes.cz/schwarzenberg-zenisek-stetina-a-fule-nesmi-do-ruska-fhv-/zahranicni.aspx?c=A150530_030631_domaci_mlb.

in June 2014. The summit was eventually organized without the participation of Russia in Brussels. A few days later, the European Council decided to abolish talks with Russia on simplifying the visa regime for citizens of the Russian Federation.⁹⁵

The following day, following the Crimean referendum on 17 March, the European Union introduced the first set of sanctions in the form of individual restrictions directed against military commanders, but also state officials and Russian politicians. To specific persons, a total of 21 officials who participated in the events in Ukraine were frozen assets in the territory of the European Union and set a ban on entry into the EU countries.⁹⁶

Following the ratification of the Crimean Republic's accession to the Russian Federation, on March 21, the sanction list was extended by a further 12 names for which additional travel restrictions and asset freeze on bank accounts in the European Union were introduced. To that end, the European Council repealed the long-standing European Union-Russia summit and declared the commitment of the Member States to not organize any further bilateral summits with the Russian Federation.⁹⁷

Further sanctions followed the spreading of the conflict from the Crimea to the territory of eastern Ukraine. On April 15, a sanctioning list of persons involved in the conflict in eastern Ukraine was extended on the basis of the EU Council decision. A further 15 people were added at the end of April; they were persons in command posts in separatist army. At the end of April 2014, the penalty list contained a total of 48 names.⁹⁸

In May, two companies from the Crimea peninsula were included on the list apart from another 13 people. On June 23, the EU Council adopted a measure banning the purchase of goods originating from the Crimean area for companies operating in the EU. A month later, on 16 July, the Council's recommendation to the European Investment Bank to suspend investments and finance projects in the territory of the Russian Federation.⁹⁹

⁹⁵ Extraordinary meeting of EU Heads of State or Government on Ukraine, 06/03/2014, *European Council: Council of the European Union* [online]. [cit. 2018-04-17]. Available at: <http://www.consilium.europa.eu/en/meetings/european-council/2014/03/06/>.

⁹⁶ Foreign Affairs Council, 03/03/2014, *European Council: Council of the European Union* [online]. [cit. 2018-04-17]. Available at: <http://www.consilium.europa.eu/en/meetings/fac/2014/03/03/>.

⁹⁷ Extraordinary meeting of EU Heads of State or Government on Ukraine, 06/03/2014, *European Council: Council of the European Union* [online]. [cit. 2018-04-17]. Available at: <http://www.consilium.europa.eu/en/meetings/european-council/2014/03/06/>.

⁹⁸ Special meeting of the European Council: Conclusions. European Council, *European Council: Council of the European Union* [online]. 16.7.2014 [cit. 2018-04-17]. Available at: <http://data.consilium.europa.eu/doc/document/ST-147-2014-INIT/en/pdf>.

⁹⁹ DREYER, Iana, a Nicu POPESCU, Do sanctions against Russia work?. *European Union Institute for Security Studies* [online]. 35(1-4) [cit. 2018-04-22]. Available at: http://www.iss.europa.eu/uploads/media/Brief_35_Russia_sanctions.pdf.

The first sanctions that could have hit the Russian economy in a major way were taken by the European Union as a reaction to the shooting down of a Malaysian MH17 flight, July 17, 2014. Restrictions of the military and energy sectors were adopted in the form of financial and sectoral sanctions. At the end of July, a list of sanctioned persons was extended and a trade embargo on products originating in the Crimea was announced. At the same time, investment in infrastructure and telecommunication technologies on the peninsula is stopped.¹⁰⁰

The Council of the EU recommended the European Union member countries the abolition of investments in the Russian economy and Russian banks were prevented from entering the European market. At the same time, an embargo on arms, military technology and dual-use goods was imposed.¹⁰¹

In September 2014, the first talks between Ukraine and Russia, or Russian separatists, were held under the assistance of the OSCE in order to find an agreement to stop fighting in the east of Ukraine. The negotiations resulted in the signing of the so-called Minsk Protocol, named after the venue. At the same time, the European Union has adopted additional sanctions, this time targeting the Russian petrochemical industry, especially mining technology. At the end of 2014, a sanctioned list of products which are affected by import embargo was again extended¹⁰²

At the beginning of 2015, four months after the conclusion of the Minsk agreements, the Union adopted the first sanction for their violations. In addition to the decision to extend sector sanctions for another six months, another summit in Minsk was held in wider participation of Germany and France. The outcome of the negotiations was a new agreement, Minsk II. The European Union has welcomed the agreement, but it has been stated that in case of non-compliance of this agreement, there will be additional sanctions announced. Similarly, EU representatives have condemned the abolition of sectoral sanctions against the Russian Federation by fulfilling the agreements currently in force.¹⁰³

The agreement that Ukraine will gain control over its territory in the east of the country by the end of 2015 has not been respected and the European Council has announced further prolonging

¹⁰⁰ Council Decision 2014/507/CFSP of 30 July 2014 amending Decision 2014/386/CFSP concerning restrictions on goods originating in Crimea or Sevastopol, in response to the illegal annexation of Crimea and Sevastopol, *EUR-Lex: Access to European Union Law* [online]. July 2014 [cit. 2018-04-14]. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014D0507>.

¹⁰¹ Council regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine. *EUR-Lex: Access to European Union Law* [online]. July 2014 [cit. 2018-04-14]. Available at: <http://eur-lex.europa.eu/legalcontent/en/TXT/?uri=CELEX:32014R0833>.

¹⁰² Reinforced restrictive measures against Russia., *European Council: Council of the European union* [online]. September 2014 [cit. 2018-04-22]. Available at: www.consilium.europa.eu/en/press/pressreleases/2014/09/pdf/Reinforced-restrictive-measures-against-Russia/.

¹⁰³ BAGHERI, Sajjad a Hamid Reza AKBARPOUR, *Reinvestigation of the West's Sanctions against Russia in the Crisis of Ukraine and Russia's Reaction*. DOI: 10.1016/S2212-5671(16)30019-3. ISBN 10.1016/S2212-5671(16)30019-3. Dostupné také z: <http://linkinghub.elsevier.com/retrieve/pii/S2212567116300193>. p. 93.

sectoral sanctions by the end of January 2016. In June, the European Union extended sanctions as retaliation measures to occupy the Crimea for another year, until June 2017.¹⁰⁴ Sectoral sanctions, conditional on the fulfilling of the Minsk II agreements, were extended in mid-2016 until 31 January 2017. Similarly, there was an extension of the validity of the sanctioned list of restricted persons or subject. At that time, the list included 146 people and 37 companies or institutions.¹⁰⁵

In November 2016, the EU Council added to the sanctioning list six members of the State Duma of the Russian Federation elected for the illegally created Autonomous Republic of Crimea and the city of Sevastopol.¹⁰⁶ Since the end of the year did not bring a shift in the implementation of the Minsk II agreements, economic sanctions against the Russian economy were extended until July 2017

At the beginning of 2017 there was a further replenishment and extension of the sanction list, with a total of 150 persons and 37 institutions, the validity being postponed to 15 September 2017. In mid-year, the Council extended the sanctions imposed on the annexation of the Crimea until 23 June 2018. At the same time, the economic sanctions were renewed again until 31 January 2018.¹⁰⁷ By the end of 2017, following another report on the non-implementation of the Minsk II Agreements, economic sanctions against Russia were extended by another half-year, ie by 31 July 2018.¹⁰⁸

Now, in 2018, sanctions have been modified twice so far. The EU Council froze the property of 13 selected persons responsible for the misuse of Ukrainian state resources for one year until 6 March 2019. Furthermore, sanctions against persons and entities on the sanction list were renewed for another six months until 15 September 2018.¹⁰⁹

Concerning US sanctions against Russia, the sanctions were imposed in mid-2014. The US sanctioning list includes Rosneft oil monopoly, banks Gazprombank, Sberbank and Vnešekonombank, investment company Novatek and arms companies, such as Kalashnikov,

¹⁰⁴ EU prolongs economic sanctions by six months, *European Council: Council of the European union* [online]. December 2016 [cit. 2018-04-20]. Available at: http://www.consilium.europa.eu/pressreleases-pdf/2016/12/47244652722_en.pdf.

¹⁰⁵ EU prolongs sanctions over actions against Ukraine's territorial integrity, *European Council: Council of the European union* [online]. 15.9.2016 [cit. 2018-04-20]. Available at: <http://www.consilium.europa.eu/en/press/press-releases/2016/09/15-eu-prolongs-sanctions>.

¹⁰⁶ Časová osa – Omezující opatření EU v reakci na krizi na Ukrajině, *Evropská rada: Rada Evropské unie* [online]. [cit. 2018-04-14]. Available at: <http://www.consilium.europa.eu/cs/policies/sanctions/ukraine-crisis/history-ukraine-crisis/>.

¹⁰⁷ Russia: EU prolongs economic sanctions by six months, *European Council: Council of the European Union* [online]. 28.6.2017 [cit. 2018-04-17]. Available at: <http://www.consilium.europa.eu/en/press/press-releases/2017/06/28/eu-sanctions-russia/>.

¹⁰⁸ Rusko: EU prodloužila hospodářské sankce o šest měsíců, *Evropská rada: Rada Evropské unie* [online]. 21.12.2017 [cit. 2018-04-14]. Available at: <http://www.consilium.europa.eu/cs/press/press-releases/2017/12/21/russia-eu-prolongs-economic-sanctions-by-six-months/>.

¹⁰⁹ EU prolongs sanctions over actions against Ukraine's territorial integrity until 15 September 2018 (120/18), *Evropská rada: Rada Evropské unie* [online]. 12.3.2018 [cit. 2018-04-14]. Available at: <http://www.consilium.europa.eu/cs/press/press-releases/2018/03/12/eu-prolongs-sanctions-over-actions-against-ukraine-s-territorial-integrity-until-15-september-2018/>.

Ural Uralvagonzavod or Almaz-Antej, a manufacturer of military missile and radar equipment. Sanctions consist of a ban on trading for US companies with sanctioned entities. The US list of people affected by restrictions is, for example, Sergei Beseda, FSB general, Oleg Saveljev, Russian Minister for Crimea Affairs, and Igor Ščogolev, Vladimir Putin's advisor.¹¹⁰

In 2015, the United States, in response to developments in the East of Ukraine, has tightened and extended sanctions. The sanctioned list of people and entities with whom economic relations are interrupted has grown to 34, including other people around the Russian president, such as Genadi Timcenko or Boris Rotenberg. The measure was also directed against representatives of the pro-Russian separatists operating in the East of Ukraine, Vasilij Nikitin and Vladislav Dějněgo.¹¹¹

After electing of Donald Trump, there was no reassessment of the sanction policy, as was sometimes expected, but new penalties were introduced in 2017. Even the new US administration, contrary to expectations, did not canceled or reduced sanctions. New United Nations Permanent Representative in the United Nations Nikki Haley immediately in the first speech after taking office, accused Russia of escalating the conflict in eastern Ukraine. She also said that US sanctions against Russia will apply until the Russian Peninsula returns to the Ukrainian Peninsula Crimea.¹¹²

The US Senate has proposed and enforced a law that punishes Russia for interfering in the US presidential election, for annexing the Crimea, and for supporting the Syrian regime. Up until now, the sanctions imposed against Russia in the form of an executive order by President Obama have been promoted to legal action. This has brought about a major change, and that sanctions cannot be revoked or changed only on the basis of President Donald Trump's decision, but with the consent of the US Congress.

The newly adopted US law also defines new encompassed areas of sanctions from the US side, mainly metal processing and mining, maritime and rail transport.¹¹³ However, the accepted law faced a lot of critics, especially in the European Union. Sanctions, according to European officials, affect and restrict the interests of European companies, especially in the energy sector.

¹¹⁰ Západ přitvrdil sankce vůči Rusku, na seznamu je i výrobce kalašnikovů, *IDnes.cz: Zprávy* [online]. 16.7.2014 [cit. 2018-04-19]. Available at: https://zpravy.idnes.cz/usa-rozsirily-sankce-proti-rusku-dl3-/zahranicni.aspx?c=A140716_225643_zahranicni_js.

¹¹¹ Vraťte Krym, zrušíme sankce, vzkázala Rusku nová zástupkyně USA v OSN, *IDnes.cz: Zprávy* [online]. 3.2.2017 [cit. 2018-04-19]. Available at: https://zpravy.idnes.cz/usa-osn-haleyova-rusko-ukrajina-krym-sankce-fz3-/zahranicni.aspx?c=A170203_070557_zahranicni_fka.

¹¹² Ibidem.

¹¹³ Američtí senátoři chtějí potrestat Moskvu, zavádějí nové sankce, *IDnes.cz: Zprávy* [online]. 13.6.2017 [cit. 2018-04-17]. Available at: https://zpravy.idnes.cz/usa-senat-sankce-rusko-bily-dum-dms-/zahranicni.aspx?c=A170613_064321_zahranicni_jol.

The biggest problem from EU point of view is the fact that the United States does not communicate with its European Union's and therefore sanction policy against Russia does not adapt to European interests.¹¹⁴

The United Nations did not adopt any fundamental sanctions in connection with the events in Ukraine; it was more a symbolic expression of disagreement with the Crimean annexation. There was no other outcome in the current composition of the Security Council. The UN therefore only supported the territorial integrity of Ukraine and did not recognize the result of Russia's declared referendum on the annexation of the Crimea to Russia. The Russian Federation remained a valid member of the United Nations and the Security Council, and still retained privileged veto rights.¹¹⁵

The Russian side, in response to the latest extension of the sanctions both by the European Union and by the United States, has extended its retaliatory measures concerning, in particular, the import of Western food, with effect until 31 December 2018.¹¹⁶

¹¹⁴ Američtí poslanci schválili nové sankce proti Rusku, Íránu a KLDK, *IDnes.cz: Zprávy* [online]. 26.7.2017 [cit. 2018-04-17]. Available at: https://zpravy.idnes.cz/usa-snemovna-reprezentantu-sankce-rusko-iran-kldr-fwf-zahranicni.aspx?c=A170726_061631_zahranicni_san.

¹¹⁵ NÁSULEA, Christian, Beatrice Nicolle CREȚU a Diana Florentina SPÎNU. How Sanctions on Russia Impact the Economy of the European Union. *Studies in Business and Economics* [online]. 2015, **10**(3), - [cit. 2018-04-22]. Available at: <https://www.degryter.com/view/j/sbe.2015.10.issue-3/sbe-2015-0045/sbe-2015-0045.xml>.

¹¹⁶ *Putin prodloužil ruské sankce proti EU do konce 2018* [online], 30.6.2017 [cit. 2018-04-22]. Available at: <http://www.ceskenoviny.cz/zpravy/putin-prodlouzil-ruske-sankce-proti-eu-do-konce-2018/1502708>.

5 Impact of economic sanctions on the countries surveyed

In both countries, Iran and Russia, economic sanctions aimed to economic impacts, on changing political direction or on achieving individual policy goals. In the case of Iran, it was a policy change regarding the nuclear program, with Russian sanctions being intended to stop Russian expansion policy, leaving from the east of Ukraine and the return of an annexed Crimea peninsula. At the time of the imposition of the sanctions, both countries were in a different economic and political situation.

Iran has had a long period of life with US sanctions imposed in connection with Iran's suspicions of international terrorism support, a weak economy and a specific position in the region - even after the events of September 2001 between "Axis of Evil", along with Iraq and the DPRK.¹¹⁷

Russia, on the other hand, was experiencing a period of economic boom, the price of oil and other commodities caused an increase on the Russian budget income and the related ambitions of the Russian leadership. It is understandable, therefore, that sanctions imposed on two countries in another political and economic situation must necessarily have different intensity and different consequences.

5.1 Impact of sanctions on the Iranian economy

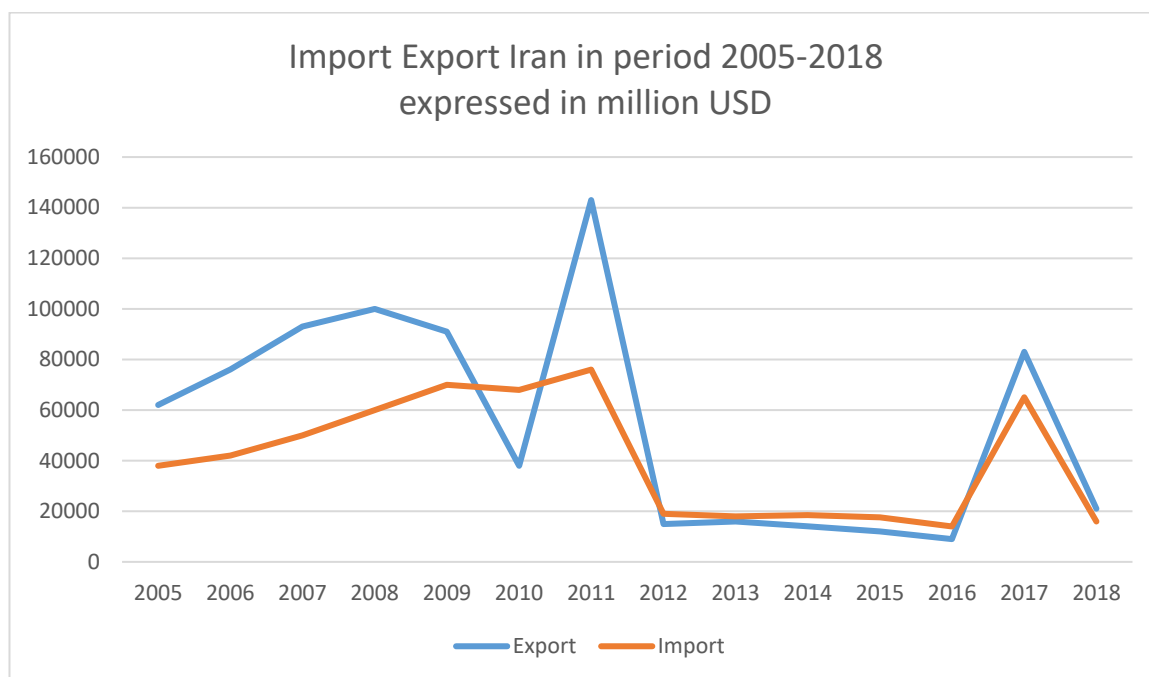
The impact assessment of sanctions is always dependent on what one expects from imposing sanctions. However, the economic impact of sanctions was indisputable in the case of Iran. The sanctions imposed by the United States, European Union or UNSC resolutions had no major impact on the Iranian economy, but the oil embargo.

In 2012, after constant pressure and from the United States and in connection with the publication of the IAEA conclusions on the state of the Iranian nuclear program in the year 2011 were new sanctions mechanisms implemented and to adopted an embargo on trade in Iranian oil on 1.7. 2012. The Iranian economy began to feel the full impacts of the economic pressure of the international community.

The reaction of the Iranian economy to the imposition of sanctions is illustrated in the following graph:

¹¹⁷ CLAWSON, PATRICK, *Iran Primer: U.S. Sanctions* [online]. 21.10.2010 [cit. 2018-04-12]. Available at: <https://www.pbs.org/wgbh/pages/frontline/tehranbureau/2010/10/iran-primer-us-sanctions.html>.

Graph 1 - Import Export Iran



Source: <http://www.tradingeconomics.com/iran/imports>, own calculation

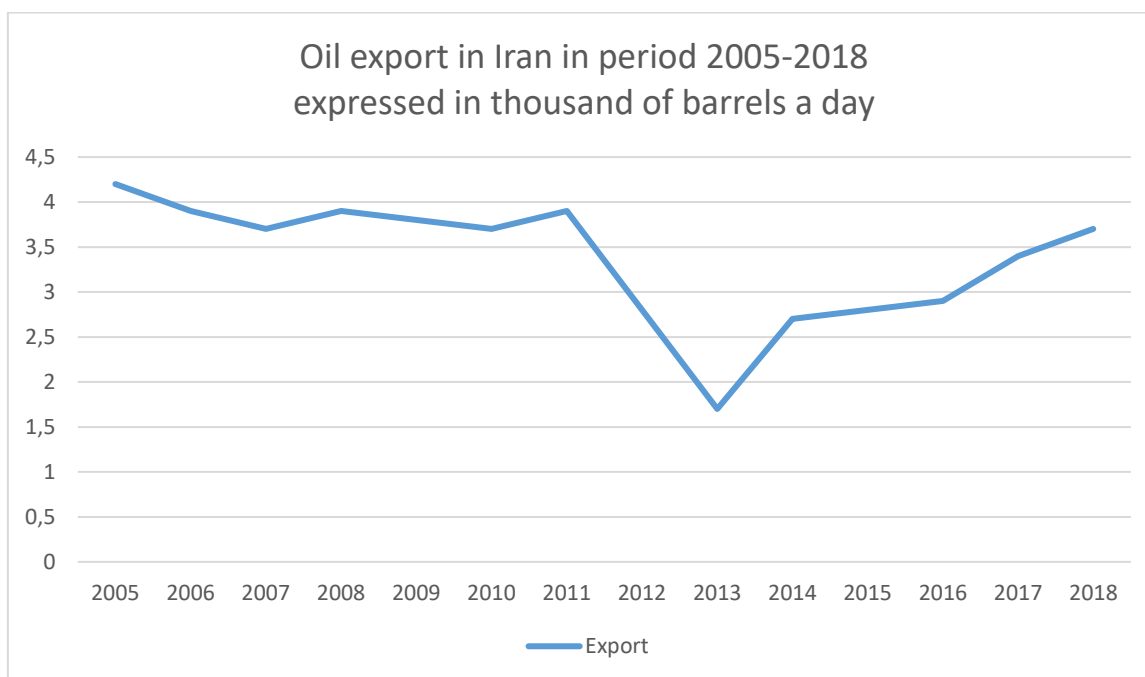
The Iranian economy's export development demonstrates the effectiveness of the economic sanctions imposed on Iran. The graph shows the ineffectiveness of sanctions in the period 2006-2012, when sanctions did not affect the main Iranian export commodity - oil. After completing the economic sanctions with the oil embargo, Iranian exports have fallen dramatically, remaining at minimum levels until the end of international sanctions in 2016. The volume of Iranian exports showed the lowest values in 2012 over the last 50 years.¹¹⁸ The key problem of the Iranian economy was a one-sided orientation to export crude oil, especially to countries that imposed an oil embargo on Iran.

Iranian imports faced a different development to export, until until 2012. The oil embargo, together with the limitation of any co-operation with the Iranian regime by the international community, has resulted in a significant drop in trade. As in the case of export, import has reached the lowest value in the last half-century.

In 2012, daily oil exports dropped to less than 2.1 million barrels, compared to roughly 4 million barrels of crude oil in 2011. The share in the drop in exports have also mentioned sanctions against maritime transport and the related prohibition on insuring Iranian tankers at Western European and American companies. Data on the development of Iranian crude oil exports are shown in the following graph. The flow of the oil export graph clearly outlines the export curve, which makes it easy to explain the decline in total Iranian exports:

¹¹⁸ Iran Imports, *Trading economics* [online]. [cit. 2018-04-13]. Available at: <https://tradingeconomics.com/iran/imports>.

Graph 2 – Oil Export Iran



Source: <https://www.eia.gov/todayinenergy/detail.php?id=11011>, own calculation

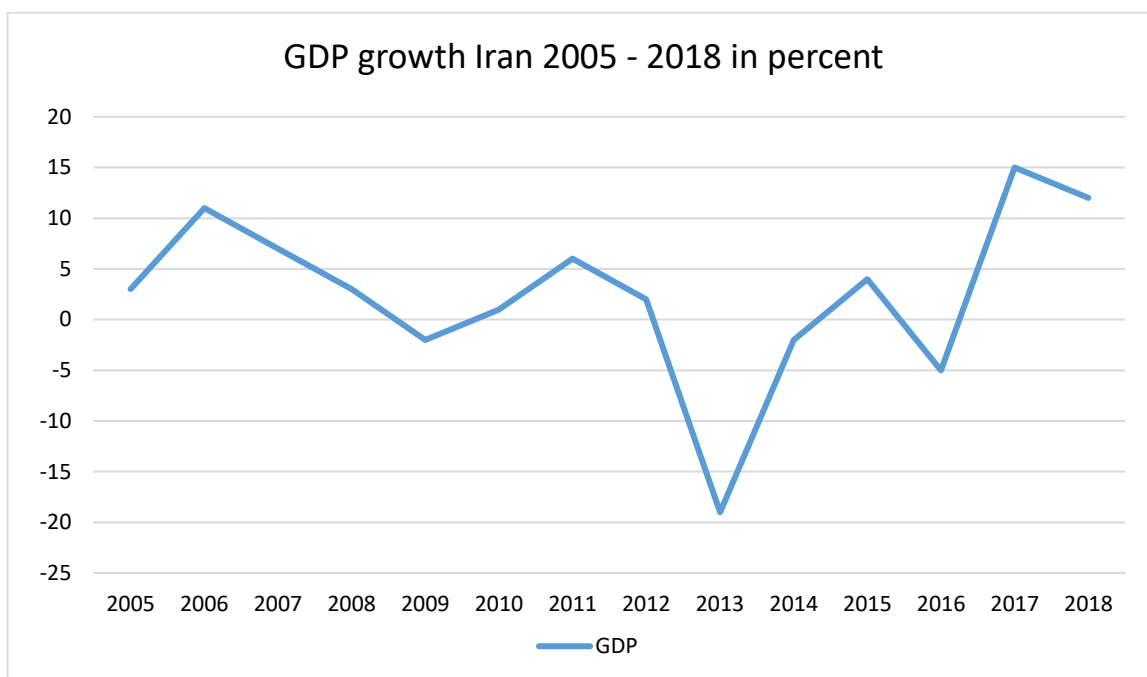
The export and import situation necessarily had to be reflected in the development of the entire Iranian economy. The fall in trade was reflected by high inflation. After an acceptable 10 percent in 2005, the inflation rate rose to 35 percent in 2012.¹¹⁹ There was also a devaluation of the Iranian rial. The Iranian currency was affected by both the decline in trade and the restrictions imposed on Iranian banks, including the central bank. The Iranian currency exchange rate to the US dollar was still in 2011 before the embargo of 1USD / 13000 rials, and in 2012 the exchange rate dropped to 1USD / 40000 rials.¹²⁰

The main indicator that expresses the health of the country's economy is GDP. Developments in Iran's GDP are, as in other countries, closely linked to trade. Until the introduction of the oil embargo, the Iranian economy showed an average HPD increase of 5 percent, after the embargo was dropped 20 percent down. The development of Iranian GDP is shown in the following graph:

¹¹⁹ SALEHI-ISFAHANI, Djavad, *Tyranny of numbers: Iran's Inflation showing signs of moderating* [online]. 10.1.2013 [cit. 2018-04-22]. Available at: <https://djavadsalehi.com/2013/01/10/inflation-in-iran-showing-signs-of-moderating/>.

¹²⁰ PLAUT, Steven, *The Collapse of Iran's Rial*. *Gatestone institute: International Policy Council* [online]. 21.2.2013 [cit. 2018-04-19]. Available at: <https://www.gatestoneinstitute.org/3597/iran-rial-collapse>. p.53.

Graph 3 – GDP Iran



Source: <http://www.tradingeconomics.com/iran/gdp-growth-annual>, own calculation

All charts show that 2012 was crucial for the development of the economy in Iran and for the success of international sanctions. As far as export is concerned, it is necessary to take into account the fact that in 2006 the sale of crude oil represented 80 percent of total Iranian GDP. The fall in exports, apart from the oil embargo, has also caused by the fact that foreign lending has become limited or the prices go significantly up. Also, assets of Iranian representatives and companies, have been frozen.

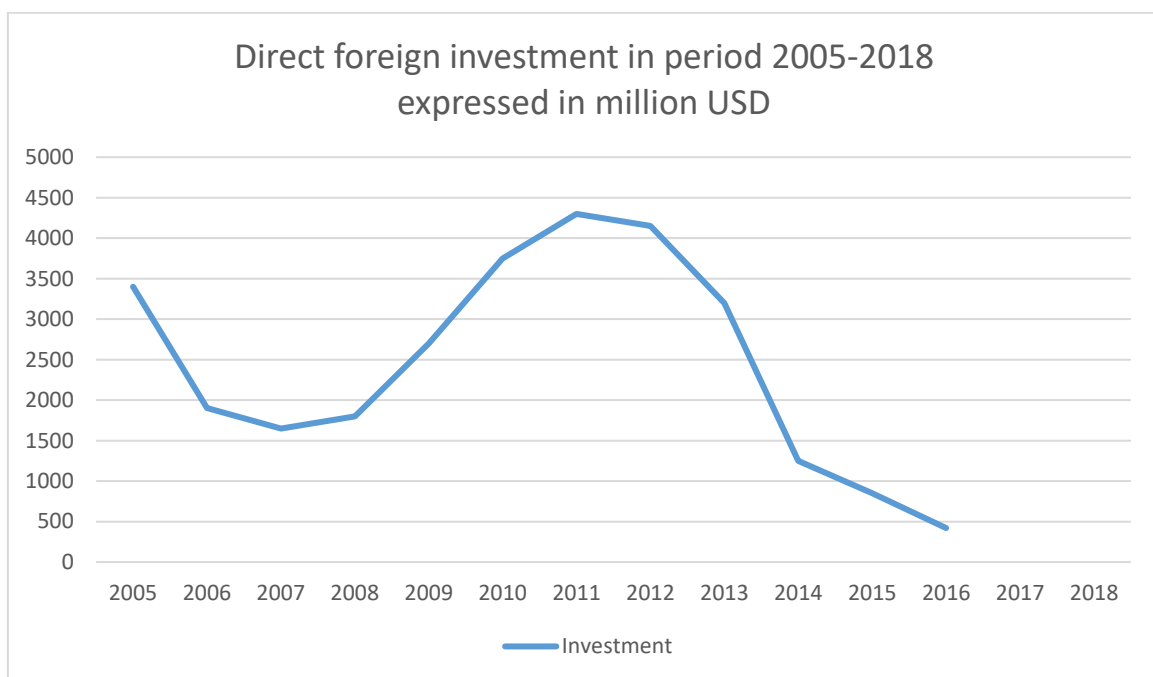
The stagnation of import and export is seemingly unrelated, in Iran there are two main reasons. The first reason can be found in the jumping increase of number of imported goods, in connection with the fall in the local currency rate as a result of sanctions. The second reason, typical of countries like Iran, is the restriction or interruption of arms contracts and contracts by countries supporting international sanctions. The sanctions against Iran include, besides the United States and the countries of the European Union, Russia, which, in accordance with the international community, has denounced Iran a contract for the delivery of a missile defense system.

The fact that the export and import values after 2012, ie after the imposition of the oil embargo do not correlate with GDP growth in the same period, is explained by the increase in black market trading where both export and import were provided through intermediaries and third parties.

Another important economic indicator that has a fairly high value for description of economy is foreign investment in the Iranian economy. No economy can survive without investment that is conditional for investment. Since 2000, Iran has had a steep rise in foreign investment. The situation changed in 2005 when he was elected by Iranian President Mahmoud Ahmadinejad.

Ahmadinejad's personal attitudes and statements have led to the outflow of foreign investors, and since 2006 severe sanctions have been imposed on Iran, it all had to result in the outflow of investors mainly from Europe and the United States. Developments in the volume of foreign investment are shown in the following graph:

Graph 4 – Foreign investment Iran



Source: <https://tradingeconomics.com/iran/foreign-direct-investment>, own calculation

The graph below shows how investors responded to political developments in Iran. The increase in investments in 2009-2012 can be explained by the emergence of investments from countries outside European Union, ie countries that have been able to avoid sanctions. Iran's main trading partners after the embargo were China, India, Turkey, South Korea, Japan.¹²¹

China, on the one hand, supported sanctions on the basis of a UNSC resolution and did not want to seriously damage its trade relations with countries practicing sanctions. On the other hand, it

¹²¹ The world factbook: Middle East: Iran, *CIA* [online]. [cit. 2018-04-19]. Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html>.

was very pragmatic to fill the loose space on the market and invest primarily in the Iranian oil industry.¹²²

The impact of economic sanctions on the life of ordinary Iranians is visible. In recent years, the Iranian economy has experienced recessions, unemployment has exceeded 20 percent. There has been a rise in prices, a reduction in health care, and goods have become scarce. According to data released by the Iranian Ministry of Oil Industry, Iran has lost since the introduction of the oil embargo in 2012, an average of six billion dollars a month.¹²³

5.2 Changes in Iranian policy course

The international community and pressure in the form of economic sanctions were successful in giving responsibility for Iran's economic problems to Mahmoud Ahmadinejad. Although Iran faced problems before 2005 when he became a president, he was personally blamed for the deterioration of the situation. Indeed, during his presidency, IAEA inspectors were prevented from controlling the Iranian atomic program, and the first sanctions were imposed in the form of a UNSC resolution.

The Iranian economy at that time was characterized by a bad tax system, bureaucracy, a large dependence on oil exports, and a low diversification of the economy.¹²⁴ President Ahmadinejad has built his political campaign on a number of economic measures that seemingly solved problems, but he did not deal too much with the international community and underestimated the impact of economic sanctions. In 2009, he was still re-elected for the next period, but the dissatisfaction of the people of Iran, backed by a further deterioration in the economic situation due to the imposition of new sanctions has grown.¹²⁵

In 2010, the Iranian currency was devaluated, the prices of basic food increased, and unemployment rose at a rapid pace. Sanctions imposed on financial sector have increased prices of imported goods, and the people of Iran started to be dissatisfied with President Ahmadinejad's current policy. The change in the course in Iran has not been triggered only by the pressure of the international community and situation and development of the Iranian economy, but above all the change in the mood in society.

¹²² DOWNS, Erica a Suzanne MALONEY, Getting China to Sanction Iran: The Chinese-Iranian Oil Connection. *Foreign Affairs* [online]. April 2011 [cit. 2018-04-15]. Available at: <https://www.foreignaffairs.com/articles/china/2011-02-20/getting-china-sanction-iran>.

¹²³ Historická dohoda s Íránem. Podívejte se, jaké sankce skončí. *Aktualne.cz* [online]. 14.7.2015 [cit. 2018-04-15]. Available at: <https://zpravy.aktualne.cz/zahranici/iranske-sankce/r-059cae362a0411e598af002590604f2e/?redirected=1524331683>.

¹²⁴ MOKALLA, Matteen, Analysis: How sanctions rule Iranian politics. *Aljazeera.com* [online]. 4.6.2013 [cit. 2018-04-15]. Available at: <https://www.aljazeera.com/indepth/spotlight/2013/05/2013525134224347839.html>.

¹²⁵ NADER, Alireza, Iran's 2013 Presidential Election: Its Meaning and Implications. *RAND Corporation* [online]. 19 [cit. 2018-04-22]. Available at: https://www.rand.org/content/dam/rand/pubs/perspectives/PE100/PE109/RAND_PE109.pdf. p.9.

The theme of the 2013 elections was not just a reduction in inflation, the unemployment rate or the revival of industrial production, but also better approach to the requirements of the international community.¹²⁶ Interest in the election and change in the direction of the country was high, the voter turnout exceeded 70 percent.¹²⁷ The election was won by more pro-Western-oriented Hassan Ruhani, who replaced the anti-Western President Ahmadinejad. The Ruhani's program consist of recovering the economy and the improvement of diplomatic relations with the international community, which was one of the key prerequisites for starting a discussion about the solution of the situation between Iran and the world community.

Hassan Ruhani has re-established diplomatic relations with international community, preferred a negotiation process to a confrontation in contradistinction to his predecessor. Already in the first year of his election, new negotiations with IAEA have begun on mutual cooperation on the issue of the nuclear program. Hassan Ruhani declared the withdrawal of Iran from the effort to acquire a nuclear weapon and also the establishment of close cooperation between states in the region.¹²⁸

After a long series of negotiations, there was an agreement in 2015 between Iran on the one side and the United States, Germany, France, the United Kingdom, Russia and China on the other side. Iran has committed itself to subordinating its nuclear program to international inspections and not to build a nuclear weapon. At the same time, Iran has committed not to expand its uranium enrichment capabilities for 15 years and destroy most of the uranium enrichment facilities for military purposes. In return, economic sanctions will be phased out, but for example, the arms embargo will be valid for another five years.¹²⁹

Restoring the flow of foreign investment and technology has succeeded in restarting of the Iranian economy. Iran has also returned to the oil and gas markets. Iran's contribution to oil production has pushed for oil prices, and the value of a barrel of oil has plunged to 40 USD a barrel. Iranian reentry to petroleum made the rest of OPEC members unhappy, so they sought to limit production and thus to raise the prices. But Iran has not respected OPEC recommendation and the oil price is still more or less stable.

¹²⁶ DUDLEY, Dominic, Iran looks to avoid repeat of 2009. *Middle East Economic Digest* [online]. 2003, 57(24) [cit. 2018-04-05]. ISSN MEED. Available at: <https://www.domdudley.com/articles/?offset=1438678860000>.

¹²⁷ MOKALLA, Matteen, Analysis: How sanctions rule Iranian politics. *Aljazeera.com* [online]. 4.6.2013 [cit. 2018-04-15]. Available at: <https://www.aljazeera.com/indepth/spotlight/2013/05/2013525134224347839.html>.

¹²⁸ ROUHANI, Hassan, Co chce Írán v roce 2014. *Project Syndicate* [online]. 8.1.2014 [cit. 2018-04-11]. Available at: <https://www.project-syndicate.org/commentary/hassan-rouhani-on-iran-s-new-moderation/czech?barrier=accessreg>.

¹²⁹ Po historické dohodě mocností a Íránu klesá cena ropy, *Aktualne.cz* [online]. 14.7.2015 [cit. 2018-04-18]. Available at: <https://zpravy.aktualne.cz/zahranici/iran-dohoda/r~7887ec8c294911e593f4002590604f2e/>.

Hassan Ruhani was a key person for the peace agreement. In the comparison to his predecessor, he did not consider the adoption of the agreement as the defeat of Iran. In the Iranian Parliament, Ruhani even has a nuclear agreement and the subsequent lifting of sanctions as the "golden side of Iranian history"¹³⁰ For the world community, the new Iranian leadership is also a partner in the effort to create a Middle East zone without weapons of mass destruction, which would be impossible without Iran's participation.¹³¹ Similarly, Iran, as a regional power, is one of the actors that could contribute to efforts to resolve the current conflict in Syria. The Iranian government has expressed an interest in being a guarantor of talks between the government of Syrian President Assad and the Syrian opposition.¹³² Together with the European Union, Iran discusses the possibility of post-war reconstruction in Syria.¹³³

Such an approach by Iran would not be possible without a change in the political course. Long-term and targeted economic sanctions for Iran have evoked the need for change in society, not only achieving their goal of nuclear program agreements but also helping to restart Iran's long-term damaged relations with the world community.

With the change in Iranian politics are also satisfied ordinary Iranians. Hasan Ruhani defended the presidential mandate in 2017 with gains almost 60 percent and is trying to open Iran to the Western world. The young generation supporting Ruhani expects and believe in further connection with the countries of the West.¹³⁴ But the success of Iran's integration into a standard country will depend on a prominent person in the Iranian power hierarchy - at the will of Ayatollah Chamenei, who was supporting the Ruhani counter-candidate in the election.¹³⁵

5.3 Effects of sanctions on the Russian economy

Evaluating anti-Russian sanctions is not easy for many reasons. Firstly, since their imposition too little time has elapsed, for example, restricting investment in oil processing facilities will take effect over a longer period of time. Secondly, with the announcement of anti-Russian sanctions, there has been a significant drop in oil prices which is likely to have a greater impact on the Russian economy than any sanctions imposed.

¹³⁰ Írán láká investory. Ekonomika po zrušení sankcí poroste, země je stabilní, vzkazuje prezident, *Hospodářské noviny* [online]. 17.1.2016 [cit. 2018-04-19]. Available at: <https://zahranicni.ihned.cz/c1-65102040-iran-laka-investory-ekonomika-po-zruseni-sankci-poroste-zeme-je-stabilni-vzkazuje-prezident>.

¹³¹ TŮMA, Miroslav. Íránská jaderná dohoda a širší mezinárodní souvislosti. Praha: Ústav mezinárodních vztahů, 2016.

¹³² Rusko, Írán a Turecko chtějí dohlížet na jednání mezi Asadem a opozicí, *Aktualne.cz* [online]. 20.12.2016 [cit. 2018-04-22]. Available at: <https://zpravy.aktualne.cz/zahranici/rusko-iran-a-turecko-chteji-dohlizet-na-jednani-mezi-asadem/r~4d1382c6c6d911e6805e002590604f2e/>.

¹³³ ZACHOVÁ, Aneta, Írán může pomoci EU uklidnit situaci v Sýrii. *Euractiv.cz* [online]. 1.11.2016 [cit. 2018-03-25]. Available at: <https://euractiv.cz/section/aktualne-v-eu/news/iran-muze-pomoci-eu-uklidnit-situaci-v-syrii/>.

¹³⁴ Írán povede další čtyři roky Rúhání. S přehledem porazil konzervativce, *IDnes.cz: Zprávy* [online]. 20.5.2017 [cit. 2018-04-18]. Available at: https://zpravy.idnes.cz/iran-prezidentske-volby-hasan-ruhani-ebrahim-raisi-revolucni-gardy-lpq-/zahranicni.aspx?c=A170520_071254_zahranicni_fer.

¹³⁵ Ibidem.

The fall in oil prices was closely tied to the fall of the ruble, which resulted in an increase in inflation and, therefore, a reduction in the foreign exchange reserves of the Russian Central Bank. In just one-year, foreign exchange reserves fell by 30 percent in Russia.¹³⁶ All of this, of course, has led to a decline in the Russian economy, and it is therefore a question of how big the participation of anti-Russian sanctions is.

However, if we would like to talk about the impact of sanctions against the Russian economy, it is necessary to evaluate the impact of the sanctions imposed by the European Union. More than half of Russia's exports and imports represent trade exchanges with the European Union, the United States represents a share of roughly 6 percent only. While Russia has sought to mitigate the impact of sanctions by redirecting its exports to the east or China, trade exchanges with China, representing 7 percent of the total volume, which cannot replace European consumption.¹³⁷ The development of Russian exports and imports in recent years can be seen in the following graph:

Graph 5 - Import Export Russia



Source: <http://www.tradingeconomics.com/russia/imports>, own calculations

So, Russia's problem is not just export but also the import of goods, both curves showing the same trend. Russia is probably more dependent on import than on exports. It is necessary to take into account the fact that the majority share of the exports are petroleum products and

¹³⁶ BOND, IAN, CHRISTIAN ODENDAHL a JENNIFER RANKIN, Frozen: The politics and economics of sanctions against Russia. *Centre for European reform* [online]. March 2015 [cit. 2018-04-08]. Available at: http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2015/frozen_sanctions-10787.pdf.

¹³⁷ Ibidem, p. 5.

natural gas, the commodities that the European Union still buys in Russia. Thus, Russia's import restrictions are detrimental to the long-term horizon. Russia is far from self-sufficient, neither in terms of technology nor food. The sanctions imposed by the EU and the reciprocal sanctions imposed by Russia therefore necessarily had an impact on the development of the entire Russian economy. Russian export and import values are directly related to GDP growth.

When we drop the jump in 2009 due to the global crisis, Russia has maintained growth of several percent since 2005. In 2014, despite the imposition of sanctions, no dramatic fall has occurred. The reason is obvious, the sanctions in 2014 were directed at individuals and companies, economic sanctions against the Russian economy were imposed only one year later, after the events in the east of Ukraine, which also reflected the fall and decline in GDP growth. The fall in GDP, apart from the imposition of sanctions, also affected unexpected developments in crude oil prices. The course of the development of Russian GDP is shown in the following graph:

Graph 6 – GDP growth in Russia



Source: <https://tradingeconomics.com/gdp>, own calculation

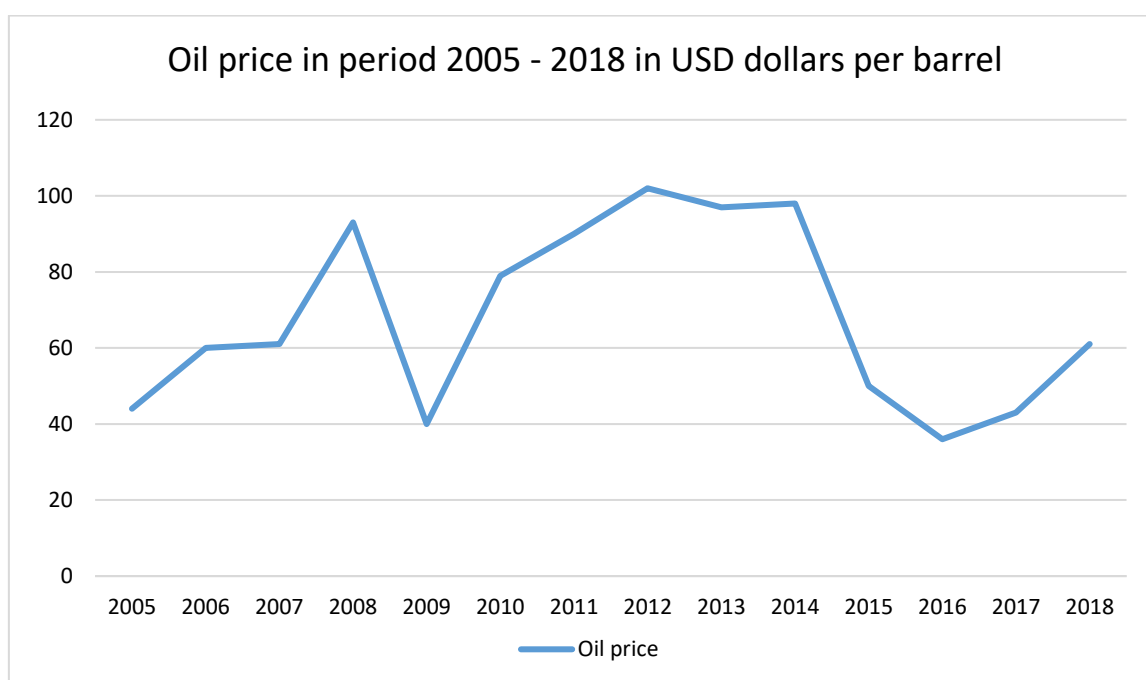
GDP growth essentially duplicates the development of oil prices on world markets. The fall in oil prices did not predict anyone in 2014 but contributed to the economic pressure on Russia. Together with the fall in oil prices, a sharp fall in the value of the Russian currency followed by a rise in inflation and interest rates. Inflation in 2015 reached more than 15 percent and

interest rates even 17 percent. In 2014, the Russian ruble lost more than 40 percent of its value from the previous year.¹³⁸

The ruble slump has deep impact to the Russian economy. On the one hand, the weaker currency goes up prices of import, so it has contributed to a decline in imports and investment. The second problem is the logical outflow of investors stemming from persistent political tensions and fears of further or tightening of existing sanctions by the European Union and the United States. Its role was also played by the fear of a Russian reaction and of Russia restricting the free movement of foreign capital. All of the above would have led to a devaluation of the investments.¹³⁹

The following chart shows the development of oil prices over the last 13 years. When we compare it with GDP curve, it is more than obvious that more than any sanction the Russian economy is reacting to just the development of oil prices.

Graph 7 - Oil price development



Source: <https://tradingeconomics.com/commodity/crude-oil>, own calculation

For Russian imports, the collapse of the ruble was a bigger disaster due, especially since Russia's dependence on imports of goods and technology has grown significantly since 2016. From only 8 percent share of import on Russia's GDP in 2006, Russia was almost doubled it

¹³⁸ Russia economic report 33: The dawn of a new economic era?, *World Bank* [online]. 1. 4. 2015 [cit. 2018-04-15]. Available at: http://documents.worldbank.org/curated/en/904101468295545451/pdf/956970NWP00PUB0B0_WB0RER0No0330FINAL.pdf.

¹³⁹ GURVICH, Evsey a Ilya PRILEPSKIY. The impact of financial sanctions on the Russian economy. *Russian Journal of Economics* [online]. 2015, 1(4), 359-385 [cit. 2018-04-22]. DOI: 10.1016/j.ruje.2016.02.002. ISSN 24054739. Available at: <http://linkinghub.elsevier.com/retrieve/pii/S2405473916000039>. p. 363.

dependence in 2015.¹⁴⁰ Russia responded through the Ministry of Industry with a plan to replace import with its own resources, thereby retaining GDP growth and, on the other hand, Russia would have become more self-sufficient. But many Russian and foreign experts criticize the Russian plan. President of the Academy of National Sciences, Vladimir Mau, summed up the situation - "Applying the Russian import substitution plan is just a way to provide Russian customers with worse quality goods at a higher price."¹⁴¹

However, the above arguments do not mean that economic sanctions have no significant impact. The main effect of the sanctions is, however, primarily to limit Russia's access to foreign capital. The situation when most of the Russian debt is in foreign currencies and Russia does not have a possibility how to refinance its debts, so it has to be paid from foreign reserves, of course, is for Russia very unpleasant. The long-term absence of foreign investment, capital and innovation must necessarily affect the performance of any economy.

However, the current state of the Russian economy is rather due to its strong dependence on oil revenues, the impact of economic sanctions will only be reflected in later years.¹⁴² There are studies claiming that while maintaining the oil price of 2013, about 110 USD per barrel, the negative effects of the current Russian economy, such as the outflow of foreign capital, the reduction of state foreign exchange reserves, or the depreciation of the ruble rate would not have occurred, despite the imposition sanctions.¹⁴³

Economists estimate that the fall in oil prices has an effect on reducing Russian export earnings of 20 percent, while economic sanctions only 1-2 percent.¹⁴⁴ Positive for the Russian economy, however, may be the weakening of the ruble. In a situation where economic sanctions are over, the competition of Russian products on the European market will increase, which could lay the foundations for future Russian economic growth.¹⁴⁵

¹⁴⁰ OXENSTIERNA, SUSANNE a PER OLSSON, The economic sanctions against Russia. Impact and prospects of success. *FOI – Swedish Defence Research Agency* [online]. September 2015, **Report No. FOI-R—4097—SE** [cit. 2018-04-05]. Available at: <http://www.foi.se/Documents/foir4097.pdf>.

¹⁴¹ *Ibidem*, p. 44

¹⁴² VYMYATNINA, Yuliya, *Credit Dynamics of Various Entities in Russia: Impact of Oil Prices and Sanctions: Paper Presented at the ASEES Conference, Philadelphia* [online]. 11.2015 [cit. 2018-04-22]. Available at: https://ecomod.net/system/files/Vymyatnina_sanctions_EcoMod.pdf. pp. 21-22.

¹⁴³ DAVIS, Christopher Mark. The Ukraine conflict, economic–military power balances and economic sanctions. *Post-Communist Economies* [online]. 2016, **28**(2), 167-198 [cit. 2018-04-22]. DOI: 10.1080/14631377.2016.1139301. ISSN 1463-1377. Available at: <http://www.tandfonline.com/doi/full/10.1080/14631377.2016.1139301>. p.188.

¹⁴⁴ GURVICH, Evsey a Ilya PRILEPSKIY. The impact of financial sanctions on the Russian economy. *Russian Journal of Economics* [online]. 2015, **1**(4), 359-385 [cit. 2018-04-22]. DOI: 10.1016/j.ruje.2016.02.002. ISSN 24054739. Available at: <http://linkinghub.elsevier.com/retrieve/pii/S2405473916000039>. p. 384.

¹⁴⁵ VERCUEIL, Julien, Rossijskaja ekonomika i sankcii. Ocenka posledstvij ukrainskogo konflikta. *Obsero Franco-Russian Analytical Center* [online]. November 2014 [cit. 2018-04-10]. Available at: http://obsfr.ru/fileadmin/Policy_paper/PP9_RU.pdf.

5.4 Influence of sanctions on Russian politics

The economic sanctions imposed against the Russian Federation have gradually set several goals. Generally, it was a response to the events in Ukraine, which the international community had to respond to. But sanctions had and have specific goals. First, the aim was to reverse the events in the Crimea, and after the annexation of the peninsula it was the purpose of sanctions to return it to Ukraine. Furthermore, sanctions were aimed at preventing the spread of the conflict from the Crimea to other parts of Ukraine and the repetition of the scenario used by Russia in the Crimea. Eventually, after the conflict in the east of Ukraine, the sanctions aimed to de-escalate the conflict, eventually solve it. After another failure, Russia's political and economic isolation was already the reason of sanctions.

To reverse the situation in the Crimea, the sanctions of the international community did not have any influence at all. Russia has managed to organize a referendum in a very short period of time, and factually append Crimea to Russia. No sanctions could have had such a strong effect in order to prevent this from happening. With regard to the pressure to return the Crimea under the Ukrainian administration, the views of the experts are clear - Russia will never come to such a thing, even if it costs any money. Attaching the Crimea is primarily a political decision, at least for the period of governance of the existing governmental garniture, nothing to change the status of the Crimea.¹⁴⁶ Russia also demonstrates its will by investing in Crimean infrastructure. In the next 10 years, the Russian Federation plans to invest nearly 40 billion dollars in the Crimean infrastructure.¹⁴⁷

The European Union and, above all, the United States, however, do not accept situation like this. The position of the new US administration is that the United States will not abolish the imposition of economic sanctions against Russia until it returns the occupied Crimea back under the Ukrainian administration. The European Union has recently extended sanctions for the occupation of the Crimea by June 2018.

The escalation of the conflict in the eastern part of Ukraine has not prevented the imposition of sanctions but managed to prevent the repeated scenario from the Crimea. The territory where is the conflict and fighting is belonging officially to Ukraine. Similarly, the pressure on Russia has led to a reduction in Russian support to separatists in Ukrainian territory. The question, however, is to what extent financial constraints have contributed to the mitigation of the conflict in the east of the Ukraine, and to what extent other parameters have contributed, such as the

¹⁴⁶ Putin podľa vlastných slov za žiadnych okolností nevráti Krym Ukrajine, *Pravda.sk: Správy* [online]. 11.3.2018 [cit. 2018-04-22]. Available at: <https://spravy.pravda.sk/svet/clanok/461827-putin-podla-vlastnych-slov-za-ziadnych-okolnosti-nevrati-krym-ukrajine/>.

¹⁴⁷ Ibidem.

slowing down of the Russian economy caused by the rise in oil prices, resulting in a significant fall in Russian revenue. In any case, a combination of all factors contributed to the signing of the Minsk I and Minsk II agreements.¹⁴⁸ If the objective of economic sanctions was to conclude an agreement in the form of the Minsk II document, today the same penalties put pressure on its compliance.

From the point of view of Russia's economic and political isolation, sanctions also did not bring about a major turnaround. Russia's abolition of G8 membership, the abolition of several European Union-Russia summits and the suspension of economic cooperation had a rather reversed effect on Russia - Russia started to diversify its commercial interests and has begun to cooperate with other than largely European partners. Business relations between BRISC and Russia are currently the best in history, and Russia has, for example, managed to conclude a 400 billion USD deal for Russian gas supplies to China.¹⁴⁹

It is also impossible to speak about political isolation, Russia has stepped up and influenced developments in Syria, renewed relations with Turkey, and participated in the defeat of the so-called Islamic State. It was also involved in signing a peace treaty between Iran and the international community.

¹⁴⁸ What are the Minsk agreements?, *The Economist* [online]. 14.9.2016 [cit. 2018-04-14]. Available at: <https://www.economist.com/blogs/economist-explains/2016/09/economist-explains-7>.

¹⁴⁹ TIEZZI, Shannon. China Hosts SCO's Largest-Ever Military Drills. [online]. 2014, [cit. 2018-04-22]. Available at: <http://thediplomat.com/2014/08/china-hosts-scoss-largest-evermilitary-drills/>.

6 Evaluation

Concerning the research questions of this work - the impact on the economy of the two countries surveyed has been sufficiently described in previous chapters. The question of whether the sanctions imposed resulted in a change in the political developments of the countries surveyed, or to what extent they could not be answered unambiguously.

Iran has been forced by the sanctions at least to a limited cooperation with the international community. Today, Iran is an active cooperating state, also involved in resolving conflicts in other countries. For example, Iran is a moderator in Syria. Russia has always enforced its personal policy, regardless of the other countries, so the imposition of sanctions could not change anything in this case.

The question remains why sanctions work in one case, and in another case not. The fundamental difference is in both cases the perception of the situation among the inhabitants of individual countries. In the case of Iran, sanctions and the related deterioration in the economic situation have led to a change in the country's leadership. The Iranians gave president Ahmadinejad a decline in living standards for blame, the change was caused from the inside, the Iranians' demand for a change in the direction of the country. In addition, Iran had very limited options to replace the revenue and the trade exchange dropout.

The impact of economic sanctions on changes in Russian politics was therefore the opposite in comparison with Iran. The situation in Russia is diametrically different, at least in three things. Firstly, since the end of World War II, Russia has been accustomed to being in a permanent conflict, either in the form of a military conflict or in the form of a cold war. Russian society perceives any pressure from neighboring countries as unfair and unjustified. On the contrary, the governmental garniture in Russia have always been able to use the pressure of the neighboring countries to strengthen and benefit from it. In Russia, unlike Iran, where the sanctions have contributed to the change of Iranian leadership and political direction, the sanctions have, on the contrary, strengthened the regime.

Vladimir Putin's popularity in the Russian society has been stagnating or even declining before the events in the Crimea and Ukraine. Vladimir Putin has been in the presidential post in fact virtually uninterrupted since 2000 (except for the period 2008-2012, when he officially handed over to Alexander Medvedev) and the public has ceased to identify his actions. In 2012, when he was elected to his third presidential term, even street protests against his return to office were

held, and Vladimir Putin's popularity was about 60 percent.¹⁵⁰

After the events in Ukraine, especially after the Crimea joined the Russian Federation, Putin's support rose rapidly between the Russians, up to 90 per cent. The Russian president's popularity did not affect the fall of the ruble in 2015 or the deterioration in the economic situation.¹⁵¹ It is Russian in nature to hang together behind its leader, regardless of the impact, especially economic. Not only has Russia not withdrawn its soldiers from the Crimea and Eastern Ukraine, it is actively engaged in the conflict. One of the few things to which the sanctions contributed to a certain extent was the conclusion of Minsk I and Minsk II.

The second reason is certainly the fact that sanctions as they are built, especially sanctions on the part of the EU, are based on the assumption that Russia should not harm more than necessary. The sanctions are not set to be unbearable for Russia, for two reasons. The first reason is that the European Union is still heavily dependent on oil and gas supplies. The EU basically admits that the gas and oil sector is excluded from sanctions because many EU countries are heavily dependent on Russian supplies.¹⁵² The second reason is the fact that European countries and European banks have invested a lot of money in Russia, whether in the form of loans or investments in local companies that they could lose in the event of a Russian bankruptcy.

The third reason is time. Iran has been under economic pressure for a long time since being accused of terrorist support in the 80's of the last century. Russia, on the other hand, was considered as a partner and a state with which it is fine to co-operate before 2014. Economic sanctions preventing Russian companies to refinance their debts, possibility to invest and innovate, need a longer time to show themselves in full force. Russia has a lot of resources from the boom period, from which it is able to replace both outages caused by sanctions and the drop in oil prices.

Russia, unlike Iran, is not sufficiently motivated either from within or from the outside to fundamentally rethink its foreign policy, as evidenced by current activities in Syria.¹⁵³ In

¹⁵⁰ Putinova popularita dorovnáva historické rekordy. Pochvaluje si ho 86 procent Rusů, nejvíce od roku 2008, Business Spotlight [online]. 24.11.2016 [cit. 2018-04-23]. Available at: <https://business-spotlight.ihned.cz/c1-65530480-putinova-popularita-dorovnav-historicke-rekordy-pochvaluje-si-ho-86-procent-rusu-nejvice-od-roku-2008>.

¹⁵¹ BOND, IAN, CHRISTIAN ODENDAHL a JENNIFER RANKIN, Frozen: The politics and economics of sanctions against Russia. *Centre for European reform* [online]. March 2015 [cit. 2018-04-08]. Available at: http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2015/frozen_sanctions-10787.pdf. p. 11.

¹⁵² KUNCAITIS, Mantas, Why do the current sanctions against Russia not stop the war in Ukraine?. *Delfi: By the Lithuania Tribute* [online]. 27.10.2017 [cit. 2018-04-03]. Available at: <https://en.delfi.lt/corporate/why-do-the-current-sanctions-against-russia-not-stop-the-war-in-ukraine.d?id=76185967>.

¹⁵³ Ibidem.

addition, the economic sanctions imposed on Iran did not work effectively until the time of the American invasion of Iraq. In the case of Russia, there is no such possibility like that.

Recent events and the growing dissatisfaction of part of the Russian society with the official policy of the Russian Federation give hope that even in the case of Russia, it may be possible sometime in the future to say that the economic sanctions have contributed to the change of policy. However, economic sanctions are designed to promote political goals in the short or medium term. Their long-term contribution is therefore rather questionable.

Conclusion

In recent years, there has been a significant change in the approach how to solve international conflicts. The international community, as well as the United States, are more and more using the economic pressure diplomacy - sanctions rather than merely military solutions to individual conflicts. The sanctions (bilateral and multilateral) are perceived as a compromise between countries, which has the potential to achieve its objectives and has no significant impact on the civilian population.

Economic sanctions are the most effective non-military coercive measures at the time of globalization, compared to the military solution, they are above all significantly cheaper. It goes without saying that sanctions work differently in different countries and under different economic conditions. What is important is the nature of the sanctioned regime, whether it is a country with democratic governance, a secular country, etc. The interdependence of the country's economy with the international system and the actor practicing the sanctions is also essential. It is essential to set the targets that the sanctions should achieve. What is important, of course, is a detailed analysis of the situation, an evaluation of the actual distribution of political and economic power, the involvement of other actors in the conflict and many other circumstances.

With the increasing number of cases where sanctions have been imposed, the amount of information on their impact and effectiveness has increased. The effectiveness of sanctions is the subject of debate both by the professional and the public audience. This diploma thesis therefore dealt with economic sanctions for a simple reason - tried to evaluate their meaningfulness and effectiveness.

Often sanctions have only a symbolic impact when it is clear at the moment of imposition that they will not have the desired effect. But they have one thing in common - showing the countries that do not respect international agreements or international law, that it is not impunity and that it always has to count on the response of the international community, serves at least as an expression of disagreement.

Economic sanctions also apply that the more sanctions are tailored to the situation of the affected country, the more effective they are. Both Russia and Iran, due to their dependence on oil exports, are sensitive to the sanctions imposed directly on this commodity or its price fluctuations. Therefore, it would be appropriate to impose sanctions on only one, sensitive market segment. In the case of Iran, the imposition of the general oil embargo in 2012, along

with the American invasion of neighboring Iraq, had a major impact on changing the negotiating approach with the international community. However, the sanctions have to be comprehensive, they must not have devastating effects and should take into account the situation of the individual population.

The reason why both countries earned sanctions was different, although it was always about promoting one's own interests. In the case of Iran, it was to strengthen its position in the region where Iran is historically in conflict with Iraq and, of course, with Israel. In the case of Russia, it was both to strengthen the position of Russian leadership on the internal political scene, but also to promote Russian interests and sphere of influence through the conflict with Ukraine. In both cases, the primary goal was the solution of the situation and secondary goal the pressure on the political change and direction of the country.

The result of the economic pressure was the agreement between Iran and the world powers, which end up the sanctions and make Iran's nuclear program available to inspectors of the International Atomic Energy Agency. Another, more important step, however, will be to persuade Iran that other activities in building a nuclear program for military purposes are both financially and politically disadvantageous for them. Changes in the Iranian government, including the election of President Hassan Ruhani in 2013, have given hope to become a trusted partner from Iran, and the situation in the Middle East could be more stabilized.

However, after the election of Donald Trump, and in particular his reservations to an agreement with Iran, the situation has become unclear again. The next few weeks will show how much the American president thinks seriously about the termination of the peace agreement, whether there is any other solution, or whether Iran gets back to political and economic isolation.

In the case of Russia, the situation is much more complex. Residents of the Russian Federation are satisfied with the political direction of their country, at least according to the results of recent presidential elections. The pressure to change the political system from inside has thus failed in the case of sanctions and is unlikely to succeed in the future. The economic pressure on Russia is currently set at the highest possible rate, its increase would have a negative impact on the countries practicing the sanctions, as well as on the Russian population.

The only chance to change Russia's policy is time. The situation and status of Russia demonstrates the question whether Russia is actually a European or Asian country. If the international community is to remain united in its pressure on the Russian economy, and assuming there is a new generation of politicians in Russia that will not come from the

generation of Cold War politicians, then there is a chance for change. Such a change, when Russia would join European countries with a normal political system and European values. In that case, sanctions against Russia would completely lose their meaning.

Summary

The world is experiencing many rapid changes in times of globalization. After 2015, Iran's uranium enrichment problem seemed to be resolved successfully. US elections, recent statements by US leaders and statements by Israel's top officials over recent days show how little the peace process, coupled with many concessions and complicated negotiations, could be canceled within a few months.

Termination of the peace agreement, if it occurs, may have far-reaching consequences for the Middle East region. On the one hand, Israel, accustomed from its history to almost everyday struggle for survival, on the other side of Iran, with its apparently hostile attitude towards Israel and its ambitions to build a nuclear weapon, and then Donald Trump, and his statements that do not correspond to the previous policy US administration.

Russia, which is still struggling to maintain its status as a superpower, has not yet commented the Iranian issue, but it is clear from the point of view of the history where it would stand in case of the possible conflict. The international community has no choice but to deal with the situation by means of sanctions. Without a long-delayed fundamental reform of the UN Security Council, there will be no other possibility than international economic and diplomatic pressure.

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