2012 Iran Sanctions Report

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PAAIA
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INTRODUCTION

Sanctions have been a major component of U.S. policy towards Iran since 1979, when they were first imposed in response to the seizure of the U.S. Embassy in Iran. President Carter, in November of that year, issued *Executive Order 12170* freezing approximately $12 billion in Iranian assets, including bank deposits, gold, and other properties. With the escalating tensions over Iran's capabilities to potentially produce a nuclear weapon, additional unilateral and multilateral sanctions have recently been levied against Iran.

The purpose of this report is to provide an overview and analysis of current sanctions against the Islamic Republic of Iran, their overall impact on Iran and the impact on the Iranian American community.

While PAAIA is focused on domestic U.S. affairs as they relate to the Iranian American community and has not been a platform for promoting U.S. foreign policy vis-à-vis Iran, we recognize the importance of providing objective and balanced information and analysis on issues affecting the Iranian American community and pertinent to policymakers. This report enables Iranian Americans to remain informed about legislative initiatives and the positions held by their elected officials as it relates to Iran.

The report, built upon PAAIA's *Report on Iran Sanctions Legislation, 111th Congress,* published in November 2009, includes a historical summary of U.S. sanctions, an overview of the additional sanctions imposed as well as certain other legislation under consideration during the 112th Congress, and a balanced review of available research assessing the impact of sanctions on achieving desired U.S. policy outcomes. We specifically examine recent legislation falling under four major categories:

(1) Legislation expanding the reach of the 1996 *Iran Sanctions Act (ISA)* and the 2010 *Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA)*. The most notable extension of such sanctions applies to the technology, petroleum, and banking sectors of Iran.

(2) Legislation further tightening the U.S. trade embargo on Iran and enhancing efforts to freeze assets tied to Iran's terrorism and proliferation activities.

(3) Legislation further restricting Iran's central bank and other Iranian banks from conducting business internationally.

(4)Legislation related to the promotion of democracy and human rights.

BRIEF HISTORY OF SANCTIONS

Since 1979, when the U.S. Government froze billions of dollars in Iranian assets in response to the takeover of the U.S. Embassy in Tehran, Iran has been subject to a wide range of U.S. sanctions restricting trade, investment, and aid to Tehran.

In 1983, following the bombing of the U.S. Marine barracks in Lebanon, Iran was added to the "U.S. Terrorism" list, established under the *Export Administration Act of 1979*, and the sanctions were further expanded. This Act bans all foreign aid (except for disaster relief) to any country determined to have provided repeated support to acts of international terrorism. In 1984, following the invasion of Iran by Iraq, the U.S. instituted sanctions that prohibited the sale of weapons and all U.S. assistance to Iran, as well as opposing all loans to Iran from international financial institutions.

In 1987, pursuant to *Executive Order 12613*, President Reagan continued the trajectory of sanctions against Iran by imposing an embargo on all goods and services exported from Iran to the United States

Eight years later in response to escalating tensions with Iran, President Clinton issued *Executive Orders 12957* and *12959*, forbidding U.S. citizens, permanent residents, and corporations from investing in Iran's energy sector and banning general U.S trade and investment in Iran respectively[1]. More specifically, subject to certain limited exceptions (i.e. relating to personal travel, information, and informational material, and transfer of household and personal effects) these sanctions prohibited U.S. citizens, permanent residents and corporations from exporting or importing goods, services and technology to or from Iran, dealing in Iranian origin goods or services, or making new investments in Iran. The purpose of the trade ban was to enhance U.S. efforts for multilateral containment of Iran. The ban, however, did not bar subsidiaries of U.S. companies, who have no operational relations with the parent firm, from trading with Iran.

In 1996, the *Iran-Libya Sanctions Act (ILSA)* was enacted into law. When its application to Libya was terminated in April 2004, the law was renamed the *Iran Sanctions Act (ISA).* The measure was intended to complement the Clinton Administration's ban on U.S. investment in and trade with Iran by further restricting foreign firms from investing in Iran's energy sector. Since then, sanctions under ISA have been expanded with the passing, in 2010, of the *Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA)* and the recently passed *Iran Threat Reduction and Syria Human Rights Act of 2012* as well as several Executive Orders signed by the Clinton, Bush, and the Obama administrations.

The original version of ISA imposed sanctions on foreign companies investing more than $20 million annually in Iran's oil and gas sector by denying them business opportunities in the U.S. (its application has subsequently been enhanced by Acts of Congress and Executive Orders). Sanctions under ISA include:

[1] Katzman, Kenneth. *Iran: U.S. Concerns and Policy Responses.* Congressional Research Service. RL32048. June 22, 2009.

- Denial of U.S. Export-Import Bank assistance including loans, credits, or credit guarantees for U.S. exports.
- Denial of licenses for U.S. exports of military or militarily-useful technology.
- Prohibition on loans or credits from U.S. financial institutions exceeding $10 million in one year.
- Prohibition on designation as a primary dealer for U.S. government bonds or serving as a repository for U.S. government funds (if the sanctioned entity is a financial institution).
- Denial of U.S. government procurement opportunities.
- Prohibition on transactions in foreign exchange.
- Prohibition on any credit or payments between a sanctioned entity and any U.S. financial institution.
- Prohibition on acquiring, holding, using, or trading any U.S.-based property in which a sanctioned entity has financial interest.
- Ban on imports, in accordance with the International Emergency Economic Powers Act.

The law grants the President waiver authority if he determines that the law's application would be necessary to U.S. national interests. According to the Congressional Research Service, the Obama Administration has increased efforts to use ISA to dissuade foreign companies from investing in Iran and has imposed sanctions on companies that continue their business in Iran.[2] While prior administrations argued that the threat of sanctions alone had extensively restrained Iran's energy sector, they hesitated to confront partner countries over implementation of ISA.

Since 1999, there have been a few modifications to the trade ban and ISA, allowing for the export of some civilian aircraft parts for safety-related purposes and the sale of food and, subject to OFAC licensing, medical products to Iran. However, the import of dried fruits, caviar, and carpets, which were exempted from the broad restrictions on trade in the latter years of the Clinton Administration, are no longer permitted pursuant to the 2010 CISADA.

Since 2006, U.S. Treasury Department officials have also leveraged United Nations (U.N.) sanctions against Iran to convince European and other international financial institutions to refrain from financing trade and dollar transactions with Iran. They argue that such financing perpetuates Iran's ability to fund terrorism and its nuclear program. According to the International Monetary Fund (IMF), such efforts have made it more difficult to trade with and fund energy projects in Iran. The Treasury Department has also tightened sanctions against Iranian banks by blocking them from indirect transfers of money to and from American financial institutions through banks in other countries.

Several bills were introduced in the 111th Congress (2009 -2010) which aimed to expand existing sanctions on Iran. While the majority of these bills were intended as a response to Iran's continued nuclear program, proponents have also pointed to Iran's continued sponsorship of terrorism and the Iranian government's harsh crack-down on

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[2] Katzman, Kenneth. *Iran Sanctions Report.* Congressional Research Service. RS20871. March 28, 2012.

protestors following the disputed June 12, 2009 presidential elections as more reason to enforce further sanctions. These measures include the *Iran Refined Petroleum Sanctions Act, the Iran Sanctions Enabling Act, the Reduce Iranian Cyber-Suppression Act,* and the *Iran Threat Reduction Act*. Portions of these acts were incorporated into a comprehensive sanctions package CISADA signed into law in July of 2010.

Legislation in the 112th Congress is aimed at further expanding sanctions against Iran. The legislation is a response to the Islamic Republic of Iran's refusal to halt uranium enrichment under its controversial nuclear program. In addition to sanctions aimed at dissuading Iran from further developing its nuclear program, there is also sanctions legislation regarding human rights abuses, continued sponsorship of terrorism, and censorship efforts by the Iranian government to limit information from entering or leaving the country. The major push to expand sanctions in the 112th Congress is through the *Iran Threat Reduction and Syria Human Rights Act*, which passed the U.S. Congress by near unanimous bipartisan support on August 1, 2012.

International sanctions have also had an effect on Iran's economic status. Iran's oil output has reached its lowest level in 20 years and the Iranian Rial has lost more than 50 percent of its value against the dollar within a matter of months.[3] The sale of petroleum is expected to become even more difficult with the European Union (EU)'s halting of Iranian petroleum purchases in July of 2012.

The United States policy on Iran can be summarily described as a two track strategy: negotiations in conjunction with tougher sanctions. As a consequence of the pressure from sanctions, the Islamic Republic of Iran decided to participate in P5+1 (United States, China, Russia, United Kingdom, France plus Germany) negotiations with the intent of reducing many of the sanctions, particularly the European Union embargo of Iranian petroleum set for implementation in July of 2012. However, on May 23, 2012, the second round of P5+1 negotiations came to an unsuccessful close in Baghdad. The talks that were held during the next month were equally unsuccessful. The date and location for the next round of negotiations are undetermined at the time this report was written.

[3] http://www.nytimes.com/2012/01/19/world/middleeast/irans-rial-falls-to-new-low-against-dollar.html

Legislation During 111th & 112th Congress, Executive Orders, & UN Sanctions

Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA)

Having passed into law in July of 2010, the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) is an amendment to the Iran Sanctions Act of 1996 (ISA) and incorporates numerous Iran related bills from the 111th Congress into one comprehensive package.

The original Act from 1996 required the President to sanction companies and persons that made an investment of more than $20 million in Iran's energy sector for a period of one year. CISADA expands the authority of ISA to specifically prevent the sale of gasoline or refining equipment by foreign companies to Iran and also reduces the threshold of investment to $1 million. Under section 102(a), services such as shipping and shipping insurance are restricted to $1 million per transaction and a $5 million aggregate value limit of sales and equipment within a one-year period. Additional products that are subject to sanctions under CISADA are aviation fuel and materials used to build pipelines for transporting liquefied natural gas. To strengthen enforcement, CISADA also includes Federal Acquisition Regulations requiring firms to certify compliance with ISA as a condition for receiving U.S. government contracts.

Additional sanctions under CISADA include the prohibition on licensure of nuclear materials, facilities, or technology. Any parent company of an entity providing weapons of mass destruction (WMD) technology to Iran will be subject to sanctions. Under law, CISADA and ISA will continue to be implemented unless the President certifies that Iran poses no significant threat to U.S. national security, interests, or allies.[4]

A significant element of CISADA is divestment. Under standard circumstances companies are legally committed to the terms of agreement on investments such as securities. CISADA makes it legal (where it would otherwise be illegal) for a company to divest from a security or investment even if it is in violation of the initial terms of agreement so long as the investment is linked to Iran or a subsidiary linked to the Iranian government. In short, CISADA allows firms to divest from any security that may have investments or operations in Iran by preventing criminal, civil, or administrative action against any investment firm or officer seeking to undertake such divestment.[5] The legislation also bans most direct imports from Iran, including previously exempted items, such as carpets, pistachios, caviar, and other Iranian products.

Lastly, the law requires the Director of National Intelligence to identify any country that may be a transshipment point for diversion of WMD-related technology to Iran. It also requires the Secretary of Commerce to designate any country deemed a possible destination

[4] Katzman, Kenneth. *Iran Sanctions*. Congressional Research Service. RS20871. April 2, 2012
[5] Ibid.

for diversion . Such designations lead to requirement for strict licensing for U.S. exports of sensitive technologies to the designated countries.

SUPPORTERS AND OPPONENTS OF CISADA

Those who support CISADA include the American Israel Public Affairs Committee (AIPAC), the Anti-Defamation League, United Against Nuclear Iran, the American Jewish Committee, J Street, and Conference of Major American Jewish Organizations. The primary motive for these supporters is to curb the threat of an Iranian regime that may have the capability to produce and, potentially, utilize nuclear weapons. Such fears range from a potential nuclear arms race in the region caused by a nuclear Iran to an existential threat to the state of Israel. In an editorial written in February of 2010, the Washington Post encouraged President Obama to sign into law legislation that authorizes U.S. sanctions against firms that sell gasoline to Iran or provide tankers and insurance, stating that while "secondary sanctions are a blunt instrument, especially when directed against companies from friendly countries, the threat of them might be needed to prod the Security Council or an ad-hoc Western alliance into taking steps that will break the Iranian regime's dangerous gathering of momentum."

Opponents of the law consist of the Coalition for Employment through Export, Emergency Committee for American Trade, National Association of Manufacturers, National Foreign Trade Council, the U.S. Chamber of Commerce, and the U.S. Council for International Business.

Those opposed feel that the sanctions may be ineffective in preventing Iran from developing a nuclear weapons program. In fact, they feel that a tough sanctions policy would motivate the Iranian regime to speed up its nuclear program toward weaponization. In a joint letter to then National Security Advisor Jim Jones and National Economic Council Chairman Larry Summers, dated January 26, 2010, the U.S. Chamber of Commerce, Business Roundtable, National Association of Manufacturers and the National Foreign Trade Council wrote, "The history of similar efforts [sanctions] demonstrates that such a unilateral approach would provoke a negative response from our allies and would divert attention from an effective, coordinated response to Iran's nuclear ambition."[6]

EFFORTS DURING THE 112TH CONGRESS TO EXPAND SANCTIONS AGAINST IRAN

Several bills, which aim to expand sanctions on Iran, have advanced in the 112th Congress. Two bills, *H.R.1905 (Iran Threat Reduction Act of 2011)* and *H.R.2105 (The Iran, North Korea, and Syria Nonproliferation and Modernization Act*), easily passed the House of Representatives on December 11, 2011. On May 21, 2012, the Senate, by unanimous consent, substituted *S.2101 (Iran Sanctions, Accountability, and Human Rights Act of 2012)* in place of H.R.1905. The differing versions of H.R.1905 were later reconciled by Senate and House leaders and on August 1, 2012 both chambers easily passed the bipartisan bicameral bill. The legislation included a number of new measures from both Democrats and Republicans. While the majority of these bills are intended as a response to Iran's continued nuclear program, proponents have also pointed to the Iranian government's long history of human rights abuses and continued sponsorship of terrorism.

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[6] U.S. Chamber of Commerce Business Groups Write NSC to Oppose Iran Sanctions Bill by Laura Rozen. January 2010 -
http://www.politico.com/blogs/laurarozen/0110/US_Chamber_of_Commerce_business_groups_write_NSC_oppose_Iran_sanctions_bills.html

H.R. 1905 - IRAN THREAT REDUCTION & SYRIA HUMAN RIGHTS ACT OF 2012

Status: *Passed in the House of Representatives by a vote of 421 –6 and in the Senate by voice vote on August 1, 2012.*

The bill was introduced in the House of Representatives by Foreign Affairs Committee Chair Ileana Ros-Lehtinen (R-18th /FL) and Ranking Member Howard Berman (D-28th/CA) and in the Senate by Banking Committee Chairman Tim Johnson (D-SD) and Ranking Member Richard Shelby (R-AL). The bill is based on the Iran Sanctions, Accountability and Human Rights Act of 2012 (S.2101), which the Senate passed with unanimous support in May of 2012. It subjects nearly all of Iran's energy, financial, and transportation sectors to U.S. sanctions.

The following is a synopsis of some of the key areas Targeted by H.R.1905 provided by the Senate Banking Committee on August 1, 2012:

Energy

Sanctions would now be imposed on anyone who:

- Invests in Iran's petroleum, petrochemical, or natural gas sector.
- Provides goods, services, infrastructure, or technology to Iran's oil and natural gas sector, including financial services, consulting, and maintenance & repair; conducts oil-for-gold or other swap transactions with Iran.
- Insures or re-insures investments in Iran's oil sector.
- Engages in joint ventures with the National Iranian Oil Company (NIOC).
- Provides insurance or re-insurance to the National Iranian Oil Company or the National Iranian Tanker Company (NITC).
- Helps Iran evade oil sanctions through reflagging.
- Sells, leases, or otherwise provides oil tankers to Iran.
- Transports crude oil from Iran, concealing the origin of Iranian crude; or transports refined petroleum products to Iran (sanctioned vessels could be prevented from landing at a port in the U.S. for up to two years).
- Provides special financial messaging services to designated Iranian banks, or those who enable such activity.
- Engages in uranium mining with Iran anywhere in the world.

Finance

The legislation also includes financial sanctions aimed at further restricting Iran's access to the international financial system, to include:

- Mandatory disclosures to the Securities and Exchange Commission relating to sanctionable activities.
- Codifying executive orders to require sanctions against the Central Bank of Iran to include enablers and facilitators, and strengthening existing sanctions against the Central Bank of Iran.

- Expansion of Comprehensive Iran Sanctions Accountability and Divestment Act (CISADA) sanctions with respect to transactions with persons sanctioned for terrorism or proliferation-related activities.
- Strengthening sanctions currently in place against the Central Bank of Iran to sharply limit the repatriation of currency to the regime in Tehran for countries that currently have exemptions from sanctions against the Central Bank of Iran for the purposes of crude oil purchases, and eliminate pass-through trade via third countries.
- Strengthening and expanding the definition of "financial transaction" to include trade in gold and precious metals, via money changers, and other activities; and expanding the applicability of CISADA sanctions to other Iranian financial institutions.
- Significantly expanding the definition of credible evidence which might trigger sanctions investigations.

Human Rights

The new Sanctions targeting human rights violators and their enablers include:

- The codification of certain executive orders with respect to human rights violators in Iran and Syria.
- Anyone who transfers good or technologies to Iran that are likely to be used to commit human rights abuses.
- A provision underscoring the sense of the Congress that satellite service providers should cease providing broadcast services to the Government of Iran until it ceases its activities intended to jam or restrict satellite signals and urges the U.S. government to address the illegal jamming of satellite signals by the Government of Iran through the voice and vote of the United States in the United Nations International Telecommunications Union.

H.R.1905 also includes specified sanctions targeting the Islamic Revolutionary Guard Corps and mandates companies to report to the securities and exchange Commission if they engage in certain transactions with Iran. [7].

H.R. 2105/S. 1048 - The Iran, North Korea, and Syria Nonproliferation Reform and Modernization Act/Iran, North Korea, and Syria Sanctions Consolidation Act of 2011.

Status: *The S. 1048 has been referred to Committee on Foreign Relations and Committee on Banking, Housing, and Urban Affairs and currently has 82 co-sponsors. H.R. 2105 passed in the House of Representatives on December 14, 2011 by a vote of 418 – 2.*

H.R. 2105/S. 1048 was introduced in the House by Congresswoman Ileana Ros Lehtinen (R-18th /FL) and in the Senate by Senator Robert Menendez (D-NJ). These two bills are primarily focused on economic and proliferation sanctions.

[7] U.S. Senate Committee on Banking, Housing, and Urban Affairs, Senate House Bipartisan Iran Sanctions Agreement, August 1, 2012, http://banking.senate.gov/public/index.cfm?FuseAction=Newsroom.PressReleases&ContentRecord_id=e4b6cded-f6e7-bb38-84ba-18119cf41a3b

Major provisions of H.R. 2105 and S.1048 include:

- Sanctioning of foreign firms participating in energy related-join ventures with Iranian government or related entities outside Iranian territory.
- Prohibiting shipping vessels to port in the United States if the ships entered a port in Iran, North Korea, or Syria anytime 180 days prior.
- Sanctioning any person providing or acquiring militarily useful equipment to or from Iran, North Korea, or Syria.
- Sanctioning any individual engaging in censorship related activities against citizens of Iran.
- Stating that it is U.S. policy to prevent the Islamic Republic of Iran from acquiring a nuclear weapons capability (S.1048).

EXECUTIVE ORDERS ISSUED BY THE PRESIDENT OF THE UNITED STATES DURING THE 112TH CONGRESS

EXECUTIVE ORDER PROHIBITING CERTAIN TRANSACTIONS WITH AND SUSPENDING ENTRY INTO THE UNITED STATES OF FOREIGN SANCTIONS EVADERS WITH RESPECT TO IRAN AND SYRIA (MAY 1ST 2012)

This executive order strengthens previous orders by the President regarding those who evade sanctions and imposes new sanctions pertaining to individuals targeted for sanctions by the United States. It authorizes the Secretary of Treasury and Secretary of State to further impose economic and financial sanctions on any Iranian individual or entity that is deemed to undermine or evade subsequent sanctions according to E.O. 13338 (May 11, 204), E.O. 12938 (November 14, 1994), and E.O. 13224 (September 23, 2001). Sanctions are extended to any subdivision related to the government of Iran, including the Central Bank of Iran.

EXECUTIVE ORDER BLOCKING THE PROPERTY AND SUSPENDING ENTRY INTO THE UNITED STATES OF CERTAIN PERSONS WITH RESPECT TO GRAVE HUMAN RIGHTS ABUSES BY THE GOVERNMENTS OF IRAN AND SYRIA VIA INFORMATION TECHNOLOGY (APRIL 23RD 2012)

This executive order pertains to the sanctioning of any entity or individual within the Iranian government engaging in censorship and restriction of information, specifically defined as a human rights violation. Any individual providing technology that allows the government of Iran (and Syria) to restrict the free flow of information, specifically in application to the internet, is deemed sanctionable with blocked entry into the United States and freezing of all assets within U.S. territories.

EXECUTIVE ORDER IMPOSING NEW SANCTIONS ON IRAN'S ENERGY AND PETRO-CHEMICAL SECTORS TO PREVENT THE COUNTRY FROM GETTING AROUND EXISTING SANCTIONS. (JULY 31, 2012)

This executive order imposes new sanctions against the Iranian energy and petrochemical sectors. This action is designed to deter Iran from establishing payment mechanisms for the purchase of Iranian oil to circumvent existing sanctions, and utilizes the existing structure of our sanctions law, including exceptions for significant reductions in the purchase of Iranian oil. Additionally, existing sanctions on Iran's petrochemical industry are expanded by making sanctionable the purchase or acquisition of Iranian petrochemical products. Sanctions are also authorized for those who may seek to avoid the impact of these sanctions, including against individuals and entities that provide material support to the National Iranian Oil Company, Naftiran Intertrade Company, or the Central Bank of Iran, or for the purchase or acquisition of U.S. bank notes or precious metals by the Government of Iran.

United Nations Sanctions

Although more difficult to pass, United Nations (UN) sanctions allow for greater cooperation because the action are multilateral. Following the failed negotiations with Iran throughout 2009, Resolution 1929 was adopted in 2010 prohibiting Iran from investing abroad on any technology related nuclear or nuclear ballistic technology. The resolution also calls for the Iran's suspension of Uranium enrichment.

Resolution 1929

- Added several firms affiliated with the IRGC to the list of sanctioned entities.
- Made mandatory a ban on travel for Iranian persons named in it and in previous resolutions – including those Iranians for whom there was a nonbinding travel ban in previous resolutions.
- Gave countries the authorization to inspect any shipments – and to dispose of its cargo – if the shipments are suspected to carry contraband items. Yet, inspections on the high seas are subject to concurrence by the country that owns that ship. This provision is modeled after a similar provision imposed on North Korea, which caused that country to reverse some of its shipments.
- Prohibited countries from allowing Iran to invest in uranium mining and related nuclear technologies, or nuclear capable ballistic missile technology.
- Banned sales to Iran of most categories of heavy arms and requests restraint in sales of light arms, but does not bar sales of missiles not on the U.N. Registry of Conventional Arms.
- Required countries to insist that their companies refrain from doing business with Iran if there is reason to believe that such business could further Iran's WMD programs.
- Requested, but did not mandate, that countries prohibit Iranian banks from operating in their countries, or for their banks to operate in Iran, if doing so could contribute to Iran's WMD activities.

Summary of Provisions of U.N. Resolutions on Iran Nuclear Program (1737, 1747, 1803, and 1929)

- Froze the assets of over 80 named Iranian persons and entities, including Bank Sepah, and several corporate affiliates of the Revolutionary Guard. (Entities named in annexes to each of the resolutions)
- Prohibited transfer to Iran of nuclear, missile, and dual use items, except for use in light-water reactors.

- Prohibited Iran from exporting arms or WMD-useful technology.
- Prohibited Iran from investing abroad in uranium mining, related nuclear technologies or nuclear capable ballistic missile technology (1929).
- Required Iran to suspend uranium enrichment, and to refrain from any development of ballistic missiles that are nuclear capable (1929).
- Required that countries ban the travel of over 40 named Iranians.
- Mandated that countries not export major combat systems to Iran (1929).
- Called for "vigilance" (a nonbinding call to cut off business) with respect to all Iranian banks, particularly Bank Melli and Bank Saderat.
- Called for vigilance (voluntary restraint) with respect to providing international lending to Iran and providing trade credits and other financing and financial interactions.
- Called on countries to inspect cargoes carried by Iran Air Cargo and Islamic Republic of Iran Shipping Lines—or by any ships in national or international waters—if there are indications they carry cargo banned for carriage to Iran.
- Searched in international waters would require concurrence of the country where the ship is registered (1929).

A Sanctions Committee, composed of the 15 members of the Security Council, monitors implementation of all Iran sanctions and collects and disseminates information on Iranian violations and other entities involved in banned activities. A "panel of experts" is empowered by 1929 to make recommendations for improved enforcement.

The table on the following pages provides a comparison of U.S. and U.N. sanctions and how they may be implemented by EU and allied countries.

COMPARISON BETWEEN U.S., U.N. AND EU AND ALLIED COUNTRY SANCTIONS

Source: *Iran Sanctions*. Congressional Research Service. Kenneth Katzman. April 2, 2012

U.S. Sanctions	U. N. Sanctions	**Implementation by EDU and Some Allied Countries**
Ban on U.S. Trade with and Investment in Iran: Executive Order 12959 ISA and CISADA ban (with limited exceptions) U.S. firms and U.S. Persons (U.S. citizens, permanent residents, and persons in the U.S.) from exporting to Iran, importing from Iran, or investing in Iran. There is an exemption for sales to Iran of certain food and, subject to licensing requirement, medical products, but no trade financing or financing guarantees are permitted.	U.N. sanctions do not ban civilian trade with Iran or general civilian sector investment in Iran. Nor do U.N. sanctions mandate restrictions on provision of trade financing or financing guarantees by national export credit guarantee agencies.	No general EU ban on trade in civilian goods with Iran but, as a consequence of the January 23, 2012, EU move to ban purchases of oil from Iran and freeze assets of its Central Bank, EU sanctions are now nearly as extensive as those of the United States. EU trade with Iran restricted by Jan. 23, 2012, EU freeze on Tidewater port operator assets, complicating offloading of many goods at Iranian ports.
Sanctions on Foreign Firms that Do Business With Iran's Energy Sector: The Iran Sanctions Act, P.L. 104-172 (as amended most recently by the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, P.L. 111-195)—and as enhanced by Executive Order 13590—mandates specified sanctions on foreign firms that invest threshold amounts in Iran's energy Sector or that sell certain threshold amounts of refined petroleum, or equipment or services for oil and gas development, refinery or petrochemical plant expansion or maintenance, or production	No U.N. equivalent exists. However, language in Resolution 1929 "not[es] the potential connection between Iran's revenues derived from its energy sector and the funding of Iran's proliferation-sensitive nuclear activities." This wording is interpreted by most observers as providing U.N. support for countries who want to ban their companies from investing in Iran's energy sector.	EU sanctions prohibiting oil purchases from Iran, prohibiting EU companies from financing energy sector projects in Iran, and banning trade with Iran in petrochemicals and other energy sector equipment now approximate those of the United States. Japan and South Korean measures ban new energy projects in Iran and call for restraint on ongoing projects. South Korean in December 2011 cautioned its firms not to sell energy or petrochemical equipment to

U.S. Sanctions	U. N. Sanctions	**Implementation by EDU and Some Allied Countries**
or importation of gasoline.		Iran.
Ban on Foreign Assistance: U.S. foreign assistance to Iran—other than purely humanitarian aid—is banned under §620A of the Foreign Assistance Act. That section bans U.S. assistance to countries on the U.S. list of "state sponsors of terrorism." Iran has been on this "terrorism list" since January 1984. Iran is also routinely denied direct U.S. foreign aid under the annual foreign operations appropriations acts (most recently in §7007 of division H of P.L. 111-8).	No U.N. equivalent	EU measures of July 27, 2010, ban grants, aid, and concessional loans to Iran. Also prohibit financing of enterprises involved in Iran's energy sector. Japan and South Korea measures do not specifically ban aid or lending to Iran, but no such lending by these countries is under way.
Ban on Arms Exports to Iran: Because Iran is on the "terrorism list," it is ineligible for U.S. arms exports pursuant to §40 of the Arms Export Control Act (AECA, P.L. 95-92). The International Trafficking in Arms Regulations (ITAR, 22 CFR Part 126.1) also cite the President's authority to control arms exports, and to comply with U.N. Security Council Resolutions as a justification to ban arms exports and imports.	Resolution 1929 (operative paragraph 8) bans all U.N. member states from selling or supplying to Iran major weapons systems, including tanks, armored vehicles, combat aircraft, warships, and most missile systems, or related spare parts or advisory services for such weapons systems.	EU sanctions include a comprehensive ban on sale to Iran of all types of military equipment, not just major combat systems. No similar Japan and South Korean measures announced, but neither has exported arms to Iran.
Restriction on Exports to Iran of "Dual Use Items": Primarily under §6(j) of the Export Administration Act (P.L. 96-72) and §38 of the Arms Export Control Act, there is a denial of	The U.N. Resolutions on Iran, cumulatively, ban the export of almost all dual-use items to Iran.	EU bans the sales of dual use items to Iran, in line with U.N. resolutions. Japan announced full adherence to strict export control regimes when evaluating

U.S. Sanctions	U. N. Sanctions	**Implementation by EDU and Some Allied Countries**
license applications to sell Iran goods that could have military applications.		sales to Iran. South Korea has adopted similar policies.
Sanctions Against International Lending to Iran: Under §1621 of the International Financial Institutions Act (P.L. 95-118), U.S. representatives to international financial institutions, such as the World Bank, are required to vote against loans to Iran by those institutions.	Resolution 1747 (oper. paragraph 7) requests, but does not mandate, that countries and international financial institutions refrain from making grants or loans to Iran, except for development and humanitarian purposes.	The July 27, 2010 measures prohibit EU members from providing grants, aid, and concessional loans to Iran, including through international financial institutions. No specific similar Japan or South Korea measures announced.
Sanctions Against Foreign Firms that Sell Weapons of Mass Destruction-Related Technology to Iran: Several laws and regulations, including the Iran-Syria North Korea Nonproliferation Act (P.L. 106-178), the Iran-Iraq Arms Nonproliferation Act (P.L. 102-484) and Executive Order 13382 provide for sanctions against entities, Iranian or otherwise, that are determined to be involved in or supplying Iran's WMD programs (asset freezing, ban on transaction with the entity).	Resolution 1737 (oper. paragraph 12) imposes a worldwide freeze on the assets and property of Iranian entities named in an Annex to the Resolution. Each subsequent Resolution has expanded the list of Iranian entities subject to these sanctions.	The EU measures imposed July 27, 2010 commit the EU to freezing the assets of entities named in the U.N. resolutions, as well as numerous other named Iranian entities. Japan and South Korea froze assets of U.N.-sanctioned entities.
Ban on Transactions With Terrorism Supporting Entities: Executive Order 13224 bans transactions with entities determined by the Administration to be supporting international terrorism. Numerous entities, including some of Iranian	No direct equivalent, but Resolution 1747 (oper. paragraph 5) bans Iran from exporting any arms—a provision widely interpreted as trying to reduce Iran's material support to groups such as Lebanese Hizbollah, Hamas, Shiite militias in Iraq, and insurgents in Afghanistan.	No direct equivalent, but many of the Iranian entities named as blocked by the EU, Japan, and South Korea overlap or complement Iranian entities named as terrorism supporting by the United States.

U.S. Sanctions	U. N. Sanctions	**Implementation by EDU and Some Allied Countries**
origin, have been so designated.		
Travel Ban on Named Iranians: The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (P.L. 111-195) provides for a prohibition on travel to the U.S., blocking of U.S.-based property, and ban on transactions with Iranians determined to be involved in serious human rights abuses against Iranians since the June 12, 2009, presidential election there.	Resolution 1803 imposed a binding ban on international travel by several Iranians named in an Annex to the Resolution. Resolution 1929 extended that ban to additional Iranians, and forty Iranians are now subject to the ban. However, the Iranians subject to the travel ban are so subjected because of their involvement in Iran's WMD programs, not because of involvement in human rights abuses.	The EU sanctions announced July 27, 2010, contains an Annex of named Iranians subject to a ban on travel to the EU countries. An additional 60+ Iranians involved in human rights abuses were subjected to EU sanctions since. Japan and South Korea have announced bans on named Iranians.
Restrictions on Iranian Shipping: Under Executive Order 13382, the U.S. Treasury Department has named Islamic Republic of Iran Shipping Lines and several affiliated entities as entities whose U.S.-based property is to be frozen.	Resolution 1803 and 1929 authorize countries to inspect cargoes carried by Iran Air and Islamic Republic of Iran Shipping Lines (IRISL)—or any ships in national or international waters—if there is an indication that the shipments include goods whose export to Iran is banned.	The EU measures announced July 27, 2010, bans Iran Air Cargo from access to EU airports. The measures also freeze the EU-based assets of IRISL and its affiliates. Insurance and re-insurance for Iranian firms is banned. Japan and South Korean measures took similar actions against IRISL and Iran Air.
Banking Sanctions: During 2006-2011, several Iranian banks have been named as proliferation or terrorism supporting entities under Executive Orders 13382 and 13224, respectively. CISADA prohibits banking relationships with U.S. banks for any foreign	No direct equivalent However, two Iranian banks are named as sanctioned entities under the U.N. Security Council resolutions.	The EU freeze on Iran Central Bank assets announced January 23, 2012, closely align EU sanctions on this issue with those of the United States. In July 2012, the EU prohibited the opening in EU countries of any new branches or offices of Iranian

U.S. Sanctions	U. N. Sanctions	**Implementation by EDU and Some Allied Countries**
bank that conducts transactions with Iran's Revolutionary Guard or with Iranian entities sanctioned under the various U.N. resolutions. November 21, 2011: Treasury Department names Iranian financial sector as a jurisdiction of primary money laundering concern. December 31, 2011: President Obama signs Defense Authorization (P.L. 112-81) preventing U.S. accounts with foreign banks that process transactions with Iran's Central Bank.		banks. The measures also prohibit EU banks from operating offices or accounts in Iran. In addition, the transfer of funds exceeding 40,000 Euros (about $50,000) between an Iranian bank and an EU bank require prior authorization by EU regulators. November 21, 2011: Britain and Canada bar their banks from any transactions with Iran Central Bank. March 2012: Brussels-based SWIFT expelled sanctioned Iranian banks from the electronic payment transfer system. Japan and South Korea measures similar to the 2010 EU sanctions, with South Korea adhering to the same 40,000 Euro authorization requirement. Japan and S. Korea froze the assets of 15 Iranian banks; South Korea targeted Bank Mellat for freeze.
No direct equivalent, although, as discussed above, U.S. proliferations laws provide for sanctions against foreign entities that help Iran with its nuclear and ballistic missile programs.	Resolution 1929 (oper. paragraph 7) prohibits Iran from acquiring an interest in any country involving uranium mining, production, or use of nuclear materials, or technology related to nuclear-capable ballistic missiles. Paragraph 9 of Resolution 1929 prohibits Iran from undertaking "any activity" related to	EU measures on July 27, 2010, require adherence to this provision of Resolution 1929.

U.S. Sanctions	U. N. Sanctions	**Implementation by EDU and Some Allied Countries**
	ballistic missiles capable of delivering a nuclear weapon.	

IMPACT OF THE SANCTIONS

IMPACT OF SANCTIONS ON IRAN

Although the precise effectiveness of international and U.S. sanctions against Iran remains open to debate, most experts believe that these sanctions against Iran have taken a substantial toll on Iran's economy. Apparent indications of the impact of sanctions include the significant devaluation of the Rial, the increasing cost of goods and services in the country, and the inability for Iran to maintain some of its core infrastructure due to a lack of sufficient supplies. The broader impact of sanctions can be seen in a host of other areas ranging from the challenges in developing its nuclear program, decrease in exports and imports, and an overall increase in dissatisfaction among Iran's citizens.

IMPEDING THE DEVELOPMENT OF IRAN'S NUCLEAR PROGRAM

U.S. and international sanctions have significantly impeded Iran's ability to obtain needed materials such as steel and carbon fiber that are essential to developing and maintaining its nuclear program. According to a Report by the Institute for Science and International Security (ISIS)[10], this shortage is preventing Iran from producing more of its basic design IR-1 centrifuges, needed to produce enriched uranium. The report noted that the sanctions have forced Iran to depend on carbon fiber bellows, which are more complicated to make and that the country's difficulty in producing effective IR-4 centrifuges will cause additional delays in their deployment. The significant drop in the country's enrichment output in 2009 and 2010 is confirmation of this claim[11].

INFLATION

Sanctions prevent foreign direct investment (FDI) in Iran outside of the energy sector, ensuring that Iranian companies are precluded from working internationally. As a result, there has been significant increase in both the cost of goods and inflation in Iran. According to the August 2011 CRS report, "merchants are reportedly having trouble obtaining trade financing, insurance, and shipping availability, which has driven up their costs by an estimated 40%, if they can complete transactions at all." As noted in an article by the World Policy Institute, according to Iranian customs, in the first three months of the 2010 Iranian fiscal year alone, the volume in imports of goods decreased by 13.9% as compared to the same period the previous year[12].

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[10] Albright, D. and Walrond, C. Iran's Advanced Centrifuges. Institute for Science and International Security. October 18, 2011. http://isis-online.org/isis-reports/detail/irans-advanced-centrifuges/

[11] Albright, D. and Walrond, C. Performance of the IR-1 Centrifuge at Natanz, Institute for Science and International Security. October 18, 2011. http://www.isisnucleariran.org/assets/pdf/IR1_Centrifuge_Performance_18October2011.pdf

[12] Coville, T. Iran's Diver Against the Dollar. World Policy Institute blog. October 5, 2010. http://www.worldpolicy.org/blog/2010/10/05/irans-dive-against-dollar

CORPORATE INVESTMENTS AND DIVESTMENTS

Since the inception of the sanctions, numerous well-known international firms, including those in the energy, banking, shipping, construction, manufacturing, and automotive sectors, among many others, have decreased or ended their business dealings and presence in Iran. The severe decrease in investments, as well as the hiking costs of imports, coupled with the cessation of financial operations by nearly 80 international banks, have significantly impacted Iran's economy[13]. The following is a sample of companies that have curtailed or stopped their trade relationships with Iran since 2005[14].

Energy Sector

Baker Hughes (US)	BP (UK)
Dragon Oil (United Arab Emirates)	ENI (Italy)
Glencore (Switzerland)	GS Engineering & Construction (South Korea)
Halliburton (US)	Helm AG (Germany)
Independent Petroleum Group (Kuwait)	Inpex (Japan)
Linde Group (Germany)	Lukoil (Russia)
OMV (Austria)	Petronas (Malaysia)
Q8 (UK)	Reliance (India)
Royal Dutch Shell (France)	Schlumberger (US)
Smith International (US)	Statoil (Norway)
Total (France)	Trafigura (Switzerland)
ThyssenKrupp (Germany)	Transammonia (US)
Tupras (Turkey)	Vitol (Switzerland)

Banking & Financial Services

Commerzbank (Germany)	Deutsche Bank (Germany)
Ernst & Young (UK)	HSBC (UK)
Intesa San Paolo (Italy)	KPMG (Netherlands)
PricewaterhouseCoopers (UK)	UBS (Switzerland)

Shipping

Allianz (Germany)	Hannover Re (Germany)
KGL (Kuwait)	Lloyds of London (UK)

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[13] Katzman, Kenneth. *Iran Sanctions*. Congressional Research Service. RS20871. April 2, 2012
[14] The Effects of Sanctions Against Iran. United Against Nuclear Iran. http://www.unitedagainstnucleariran.com/about

Maersk (Denmark)

Munich Re (Germany)

NYK Line Ltd. (China)

Construction, Manufacturing, and Engineering

ABB Ltd. (Switzerland)

Bobcat (US)

Caterpillar (Japan)

Doosan Corporation (South Korea)

Eaton (US)

Finmeccanica (Italy)

General Electric (US)

Huntsman Corp. (US)

Ingersoll Rand (US)

Komatsu (japan)

Konecranes (Finland)

Layher (Germany)

Liebherr (Germany)

Siemens (Germany)

Tadano (Japan)

Terex (US)

UNIC (Japan)

Automakers

Diamler (Germany)

Karsan (Turkey)

Kia Motors (South Korea)

Toyota (Japan)

CURRENCY DEVALUATION

The sanctions on Iran have made it difficult for various banks and companies to transmit payments for the purchase of Iranian goods, especially crude oil. For example, recent reports noted that billions of dollars of payments for the purchase of Iranian oil are held up in South Korea and India due to the countries' inability to transfer funds to Iran[15].

The sanctions have also resulted into two black-market segments marked for foreign exchange in Iran– one for foreign currency notes or money paper and the other for foreign currencies held in various accounts belonging to Iranian banks. Today, there is much demand for paper money, given that the transactions for which dollars or euros in foreign banks are used would be of little use[16][17]. The Iranian government has little control over the gap that exists between these two markets. Hence, since September 25, 2010, the value of the Iranian Rial has dropped by upwards of 50 percent.

DECREASED OIL OUTPUT AND GASOLINE IMPORTS

In addition to the problems that South Korea and India are having in making payments to Iran as a result of the sanctions, Iran is also struggling with a significant decrease in its oil

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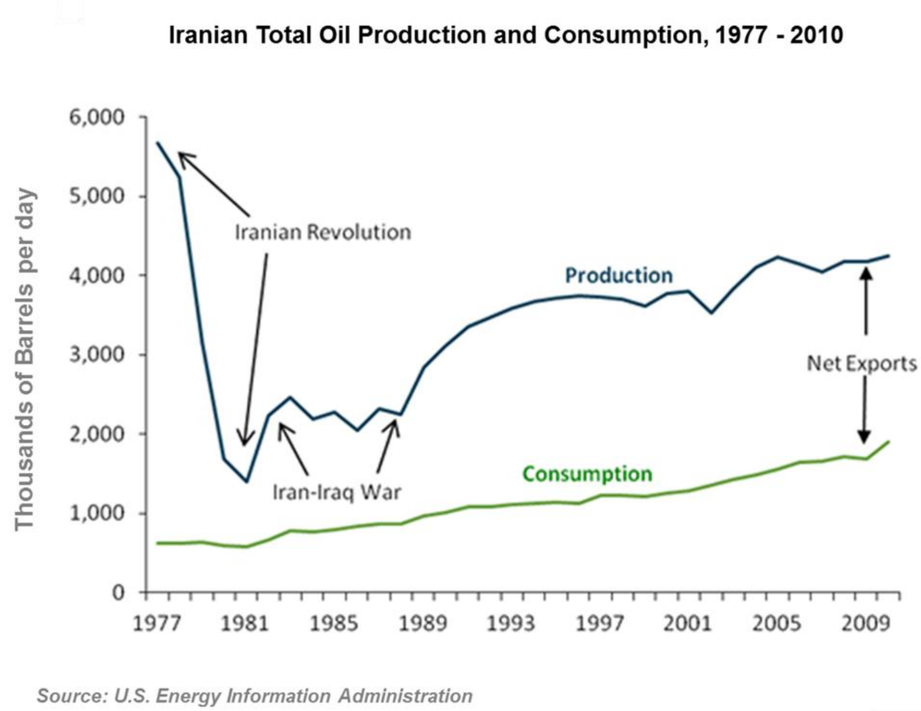
[15] Mee-young, C. and Choonsik, Y. Exclusive: Sanctions trap billions of Iran petrodollars in Korea. August 3, 2011, Reuters. http://www.reuters.com/article/2011/08/03/us-iran-korea-idUSTRE77228Q20110803

[16] Salehi-Isfahani, Djavad. Tyranny of Numbers: Fall of the Iranian Rial, Too much of a good thing? http://djavad.wordpress.com/2012/01/03/the-fall-of-the-iranian-rial-too-much-of-a-good-thing/

[17] Erdbrink, Thomas. Sanctions Begin to Compound Iran's Severe Economic Problems, Washington Post Foreign Service, October 5, 2010. http://www.washingtonpost.com/wp-dyn/content/article/2010/10/05/AR2010100505972.html?sid=ST2010100505979

output, exports, and gasoline imports. With the export of oil and gas accounting for 80% of Iran's total exports and nearly half of the government's revenue, this decrease has crippled the Iranian economy[18][19]. As noted in the figure on the following page, the output of oil has decreased from a high of 5 million barrels per day (mbd) to 3.3 mbd in 2011 and is expected to decrease further.

Since the enactment of CISADA, the import of gasoline to Iran, which lacks sufficient refining capacity to create and meets its domestic gasoline needs, has decreased from 3.5 million barrels per day to about 900,000 barrels per day[20]. To combat this shortage, Iran has resorted to converting its petrochemical factories to refine oil, costing at least 15 times more than the petrol that is created in the refineries. This is further complicated by the difficulties the government is facing in obtaining the chemical based raw materials that it needs for gasoline extraction / processing, further limiting gasoline production[21].



To the above, one must add Iran's inability to export the natural gas that it has in its reserves. Even though Iran has the second largest reserve of natural gases, which, in certain areas, it shares with Qatar, the country has been unable to export much of the gas due to its inability to obtain the needed foreign investment and technology to develop these resources and the infrastructure required to export.[22]

DISSATISFACTION

As a result of the sanctions, the decrease in oil exports and revenues, and gasoline imports, the Iranian government has had to make changes to its internal capacities. In 2010, the government reduced gasoline and bread subsidies, while the electric rate was

18 The Effects of Sanctions Against Iran. United Against Nuclear Iran. http://www.unitedagainstnucleariran.com/about

19 U.S. Energy Information Administration. May 2012. http://www.eia.gov/countries/cab.cfm?fips=IR

20 The Effects of Sanctions Against Iran. United Against Nuclear Iran. http://www.unitedagainstnucleariran.com/about

21 U.S. Energy Information Administration. May 2012. http://www.eia.gov/countries/cab.cfm?fips=ir

22 U.S. Energy Information Administration. November 2011. http://www.eia.gov/cabs/Iran/Full.html

increased significantly. With the plunging Iranian currency and staggering inflation, many Iranians have had to cut back on what they purchase and eat. Many Iranians live on monthly government subsidies of $40 - $50 that are no longer sufficient to meet their food and shelter needs[23]. The cost of medical and dental care, medications and basic procedures and service have similarly soared, leaving many an Iranian resident reluctant to obtain much needed medical care[24]. These are combined with the extra charges that Iran is forced to pay on its foreign debt obligation and financing of oil development projects.[25]

Faced with economic hardship, there is increased dissatisfaction and internal dissent[26] among the citizens of the country, especially businessmen and shop owners who are most directly impacted by the sanctions.

IMPACT OF SANCTIONS ON IRANIAN AMERICANS

The Iran sanctions apply to all U.S. persons, including those who are physically in the U.S. regardless of their immigration status, including those who are U.S. citizens or permanent residents (regardless of whether they live in the U.S. or abroad), and entities that are organized under U.S. laws. The sanctions broadly prohibit any U.S. person from bringing, receiving, taking, sending or dealing in sending services to and from Iran. This generally includes technology and money related to an online business or website, inheritance from a relative, or property maintained in Iran.

The sanctions prohibit U.S. persons from:

- Making new investments in Iran.
- Making new investments in property owned or controlled by the "Government of Iran".
- Exporting or importing goods or services to or from Iran.
- Purchasing, selling, transporting, swapping, brokering, approving financing, facilitating, or guaranteeing any goods or services of Iranian origin.
- Trading in or financing trade in Iranian oil or petroleum products refined in Iran[28].

Any transactions that are otherwise prohibited may be engaged in by interested parties by obtaining the appropriate specific license from the Office of Foreign Assets Control (OFAC). Applicants must submit information about the type, amount, parties involved in, and the reasons behind a proposed transaction to OFAC. Given that the submission can be complex, OFAC recommends that applicants use an attorney to ensure the submission of complete and adequate information. Based on the submission, OFAC can, in its discretion and based on U.S. policy considerations, chose to approve or deny the application.

Limited exceptions to the foregoing broad prohibitions include information and informational materials, non-monetary humanitarian donations, transactions ordinarily incident to travel, transfer of household and personal effectives, gifts of less than $100, and

[23] Bozorgmehr, M. & Basu, M. Sanctions Take Toll on Ordinary Iranians, CNN, January 23, 2012. http://www.cnn.com/2012/01/23/world/meast/iran-sanctions-effects/index.html
[24] CNN, Sanctions take a toll on ordinary Iranians. January 23, 2012. http://www.cnn.com/2012/01/23/world/meast/iran-sanctions-effects/index.html
[25] Torbat, A. (2005). Impacts of the U.S. Trade and Financial Sanction on Iran. *The World Economy, Vol. 28, No.3* , 407-434.
[26] Keshavarzian, Arang. Ahmadinejad the Weak. Foreign Policy, July 19, 2010.
[28] Asian Law Caucus, Impact of U.S. Sanctions Against Iran on You. May 2011

non-commercial family remittances. The export of food items as well as licensed medical supplies and equipment are also exempted.

These sanctions, mostly impact the Iranian American community by making it more difficult to transfer money and revenue from property sales or other assets to the United States. According to a recent survey conducted by PAAIA, Iranian Americans continue to maintain strong ties with families and friends in Iran. While both tightening or removing economic sanctions against Iran as policy options have little support, a significant number of Iranian Americans (44%) find the restrictions imposed by the sanctions as burdensome on them and their families.

Though there are many anecdotal stories about the effect of sanctions on Iranian Americans, there is minimal scientific data to support these stories. Clearly, sanctions impact individuals who have personal or professional dealings with counterparts in Iran. Individuals who depend on financial transactions with Iran for their daily living are finding it more difficult to undertake such transactions in a legal manner. Others are having difficulty providing financial assistance or sending much needed supplies and products to their family members in Iran. Additionally, the overzealous policies of companies attempting to comply with the sanctions and U.S. embargo have resulted in alleged acts of discrimination or profiling. These issues, coupled with the community's relative lack of knowledge about the precise scope of sanctions and their impact of how to mitigate them, have resulted in heightened frustration and anxiety in the Iranian American community, increasing instances of legal difficulties relating to enforcement of applicable regulations and compliance.

POLICY IMPLICATIONS

The majority of research conducted by economists and political scientists on the overall impact of economic sanctions indicate that they are rarely successful in achieving their intended policy outcomes.[29] A comprehensive study by political economists Hufbauer, Schott, Elliot and Oegg, reviewing all cases of sanctions from 1914 to 2000, concluded that sanctions are effective only 34% of time.[30] The study also indicated that nine percent of the cases negatively impacted the intended policy goal.

Using the same data as Hufbauer, political economist R.A. Pape argues that the actual rate of success is less than 5 percent.[31] Pape points out that the majority of cases where sanctions were reported as successful by Hufbauer et al were followed by decisive military force.[32] Therefore, it can be concluded that the use of military force achieved the desired change in behavior for the targeted regimes and not the sanctions.

In another study on the impact of sanctions, Manuel Oeschlin focuses on how autocratic regimes react to such policies. His findings reveal that targeted regimes resort to a strategy of aggressively lowering the supply of public services, thus impacting their people, consequently, their ability to effectively revolt.[33] The empirical cases of Iraq (during the 1990s) and Cuba and Haiti demonstrate how autocratic rulers intentionally enhance the negative impact of sanctions to maintain power.[34]

In spite of its relatively low success rate, since the end of the cold war sanctions have been used more frequently as a tool of international diplomacy. Veteran diplomat Sir Jeremy Greenstock, Britain's ambassador to the UN between 1998 and 2003, noted that the fundamental reason for the popularity of sanctions is "that there is nothing else between words and military action if you want to bring pressure upon a government"[35].

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[16]Hufbauer, G., Schott, J. J., Elliot, K., & Oegg, B. (2007). *Economic Sanctions Reconsidered.* Washington, D.C.: Petersetn Institute for International Economics[17] Ibid[18]Pape, R. A. (1997). Why Economic Sanctions Do Not Work. *International Security* , 90-136

[17] Ibid[18]Pape, R. A. (1997). Why Economic Sanctions Do Not Work. *International Security* , 90-136

[19] Ibid[20] Oechslin, M. (Feb 2011). Targeting Autocrats: Economic Sanctions and Regime Change. *World Trade Instute Research Findings* .

[19] Ibid[20] Oechslin, M. (Feb 2011). Targeting Autocrats: Economic Sanctions and Regime Change. *World Trade Instute Research Findings* .

[20] Oechslin, M. (Feb 2011). Targeting Autocrats: Economic Sanctions and Regime Change. *World Trade Instute Research Findings* .

[20] Oechslin, M. (Feb 2011). Targeting Autocrats: Economic Sanctions and Regime Change. *World Trade Instute Research Findings* .

[21] Ibid.

[35] Marcus, Jonathan. Analysis: Do Economic Sanctions Work? BBC News Middle East, July 2010. http://www.bbc.co.uk/news/world-middle-east-10742109

In terms of its policy on Iran, the United States is determined to prevent Iran from developing a nuclear program that is capable of weaponizing. As such, U.S. sanctions policy appears to be part of an effort by policymakers to seek to exhaust less costly efforts while minimizing their risk with military options. However, if the sanctions fail in achieving the desired policy outcomes, the probability of U.S. military action becomes more likely.

The demands made of Iran in the recent round of P5+1 negotiations in Moscow were that 1) it halt enriching uranium at 20 percent, 2) ship its stockpile of 20 percent enriched uranium abroad, and 3)cease all enrichment activities at the Fordows nuclear facility in Qom.[36] In return for meeting these demands, the P5+1 offered Iran concessions consisting including providing spare parts for Iran's aging civilian air fleet, a supply of medical isotopes similar to those produced by the Tehran reactor, and cooperation on nuclear safety issues. In support of this policy, the Obama administration has stated repeatedly that the sanctions have been the only reason that the Iranian government has approached the P5+1 negotiations in Istanbul (April 2012), Baghdad (May 2012), and Moscow (June 2012).

There are volumes of academic and legal findings and analysis on the impact of sanctions on Iran. However, the specificity of the sanctions, particularly targeted elements of the legislation, make it difficult to establish precise the effectiveness of specific elements of sanctions that have brought Iran to the negotiating table.

In the meantime, the role of the EU's plans in halting the purchase of Iranian oil in July 2012 should not be minimized. Iranian officials attest that their primary purpose in the negotiations is related to existing sanctions. In May 2012, the representative of the Iranian Parliament stated, "The least we expect from the Baghdad talks is the removal of the sanctions."[37] In a panel hosted by PAAIA on U.S. Policy Toward Iran, foreign policy expert Alireza Nader from the RAND Corporation noted on the impact of sanctions stating, "The Iranian population has lost confidence in the government's economic abilities. We are at a point where the Iranian regime is worried about the economic consequences of its nuclear policy. "

At the same time, many experts still doubt that severe and sustained economic pressure will be sufficient to persuade Iran to abandon its drive for nuclear weapons capability. "Sanctions have forced the Iranians to alter the pace of its nuclear program but not to abandon it", says Aaron David Miller of the Woodrow Wilson International Center for Scholars. "The Iranian regime wants the bomb, not primarily to have the option of attacking Israel, a possible fringe benefit, but as a hedge against regime change and as a prestige weapon in its quest for regional power and influence.[38]"

Patrick Clawson, also of the Washington Institute for Near East Policy, supports the notion that the crippling sanctions policy was crucial to bringing Iran back to the negotiating table. However, he labels the sanctions policy as a stopgap, temporary way of dealing with the conflicting relationship between the United States and Iran.[39] Clawson's

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[36] http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2012/06/comment-wests-demands-irans-unrealistic-goals-sink-nuclear-talks.html

[37] Inside Sign Grow Sanction are Hurting Economy by Farnaz Fassihi, May 22 2012, Wallstreet Journal http://online.wsj.com/article/SB10001424052702304791704577420191901651840.html?mod=googlenews_wsj

[38] CNN Opinion. A lull in the drift toward war with Iran? May 25, 2012, http://www.cnn.com/2012/05/24/opinion/miller-iran-nukes/index.html

[39] http://www.foreignaffairs.com/articles/137617/patrick-clawson/sanctions-are-only-a-stop-gap

body of research on Iran supports Torbat's argument, that sanctions against Iran cannot convince the political leadership to change its behavior.[40] Following the recently failed P5+1 negotiation in Moscow, Clawson and fellow scholar Mehdi Khalaji reaffirmed their previous long-held argument that "Iran does not see sanctions as a threat to its regime."[41]

[40] Clawson, P., & Eisenstadt, M. (1998). *Iran Under Khatami: A Political, Military and Economic Assessment.* Washington, D.C.: Washington Institute for Near East Policy.

[41] http://www.washingtoninstitute.org/policy-analysis/view/iran-confident-as-sanctions-tighten

CONCLUSION

The United States has routinely used economic sanctions as a foreign policy tool. In fact, in the post Cold-War era, economic sanctions have become a favored apparatus of U.S. foreign policy. For many members of Congress, sanctions provide an attractive, less costly option compared to the use of military force. It aims to appease the demands of certain constituencies at home by punishing foreign governments whose actions they disapprove. For example, according to a study released by the Nixon Center, from 1993 to 1998 the United States imposed or threatened to impose sanctions on over 70 nations impacting more than half the world's population.[42]

Whether sanctions will be an effective tool vis-à-vis Iran depends on the intended goal of the U.S. policy. The Administration's approach not only involves sanctions but also diplomacy coupled with potential threat of force. The measure of the sanctions' effectiveness is not whether they will create economic hardships for Iran but whether they will change the behavior of the Islamic Republic of Iran.

While it can be argued that sanctions has drawn the Iranian government to the negotiation table, the recent round of P5+1 negotiations in Moscow have faltered in producing any breakthroughs. Critics argue that Sanctions against Iran have done little to alter the Islamic Republic's behavior. The dominant view in Washington, however, contends that economic sanctions coupled with robust diplomacy and law enforcement activities are the only means, short of military action, that could persuade Iran to change its positions on the nuclear issue. In the short term, the evidence favors this view, primarily because of the Iranian government's potential willingness to make concessions on the nuclear issue if the economic sanctions are removed.[43] However, whether the Islamic Republic of Iran will reach an agreement and actually uphold the commitment remains to be seen and is unlikely based on the failure of the recent P5+1 negotiations.

With the faltering of last month's negotiations, the focus has once again returned to sanctions. Proponents of CISADA and the recent measures passed by Congress argue that the legislation sends a clear signal to foreign companies that if they wish to continue doing business with the U.S., they must cease doing business with Iran. This argument is supported by the fact that several financial institutions, even some in China - which is, technically, a friend to Iran - have either terminated or reduced their business with Iran over the past four years, primarily due to U.S. pressure. Yet, even though policy tools that are used to their maximum effort often yield results, whether the impact will achieve the intended goals is difficult to predict. In his article in *Foreign Affairs*, Patrick Clawson iterates that "sanctions have met some of those aims [nuclear enrichment compliance] and failed to meet others. But for the Obama administration, they have succeeded in one crucial way – bringing Iran back to the negotiating table. The question, then, is not whether sanctions have worked but whether the strategy they serve is correct."[44]

The 112th Congress has, in many ways, extended the crippling sanctions policy from the 111th Congress, with the aim of forcing Iran to be more transparent and to halt its attempts

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[42] Hamilton, Lee. *Sanctions, Congress and the National Interest,* The Nixon Center Perspectives, Volume 3 Number 3. July 20, 1998.
[43] Inside Sign Grow Sanction are Hurting Economy by Farnaz Fassihi, May 22 2012, Wallstreet Journal
[44] Sanctions is Only a Stop Gap by Patrick Clawson. Foreign Affairs. May 8, 2012.
http://www.foreignaffairs.com/articles/137617/patrick-clawson/sanctions-are-only-a-stop-gap.

at developing nuclear weapons capabilities. In addition, the sanctions legislation includes scores of targeted measures aimed at reducing Iran's censorship, human rights violations, and alleged support of terrorist organizations.

While it is clear that sanctions are hurting the Iranian economy and influencing their behavior in the international arena, it remains unclear whether or not sanctions, coupled with diplomacy, will be sufficient to end the impasse with Iran over its nuclear program without addressing broader political accommodation.

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Cordesman, Anthony; Bosserman, Bradley, *U.S. and Iran Strategic Competition in Sanctions, Energy, Arms Control, and Arms Transfers* (Mach 2012). Center for Strategic and International Studies (CSIS). http://csis.org/publication/us-iranian-strategic-competition-sanctions-energy-arms-control-and-arms-transfers

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