Iran Sanctions

Kenneth Katzman
Specialist in Middle Eastern Affairs

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Summary

Iran is subject to a wide range of U.S. sanctions, restricting trade with, investment, and U.S. foreign aid to Iran, and requiring the United States to vote against international lending to Iran. Several laws and Executive Orders authorize the imposition of U.S. penalties against foreign companies that do business with Iran, as part of an effort to persuade foreign firms to choose between the Iranian market and the much larger U.S. market. Most notable among these sanctions is a ban, imposed in 1995, on U.S. trade with and investment in Iran. That ban has since been modified slightly to allow for some bilateral trade in luxury and humanitarian-related goods. Foreign subsidiaries of U.S. firms remain generally exempt from the trade ban since they are under the laws of the countries where they are incorporated. Since 1995, several U.S. laws and regulations that seek to pressure Iran's economy, curb Iran's support for militant groups, and curtail supplies to Iran of advanced technology have been enacted. Since 2006, the United Nations Security Council has imposed some sanctions primarily attempting to curtail supply to Iran of weapons-related technology but also sanctioning some Iranian banks.

U.S. officials have identified Iran's energy sector as a key Iranian vulnerability because Iran's government revenues are approximately 80% dependent on oil revenues and in need of substantial foreign investment. A U.S. effort to curb international energy investment in Iran began in 1996 with the Iran Sanctions Act (ISA), but no firms have been sanctioned under it and the precise effects of ISA—as distinct from other factors affecting international firms' decisions on whether to invest in Iran—have been unclear. While international pressure on Iran to curb its nuclear program has increased the hesitation of many major foreign firms to invest in Iran's energy sector, hindering Iran's efforts to expand oil production beyond 4.1 million barrels per day, some firms continue to see opportunity in Iran. This particularly appears to be the case for companies in Asia that appear eager to fill the void left by major European and American firms and to line up steady supplies of Iranian oil and natural gas.

Some in Congress express concern about the reticence of U.S. allies, of Russia, and of China, to impose U.N. sanctions that would target Iran's civilian economy. In an attempt to strengthen U.S. leverage with its allies to back such international sanctions, several bills in the 111th Congress would add U.S. sanctions on Iran. For example, H.R. 2194, H.R. 1985, H.R. 1208, and S. 908 would include as ISA violations: selling refined gasoline to Iran; providing shipping insurance or other services to deliver gasoline to Iran; or supplying equipment to or performing the construction of oil refineries in Iran. H.R. 2192 and S. 908 would also expand the menu of available sanctions against violators. H.R. 1208 would further restrict trade with Iran. There has also been movement on the part of some U.S. states to divest from firms that do business with Iran, even if such trade is legal, and several bills would protect investment funds from lawsuits for divesting from companies active in Iran. However, some experts see such legislation as angering Europe and thereby reducing European cooperation with the United States on Iran, or as potentially backfiring by strengthening the political control exercised by Iran's leaders.

For more on Iran, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

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Overview

This report analyzes various U.S. sanctions in place against Iran, and their relationship to each other as well as to U.N. sanctions imposed since 2006 because of Iran's continued nuclear program development. A particular focus of this report is the Iran Sanctions Act (ISA), which has been the focus of differences of opinion between the United States and its European allies. Some of the congressional proposals, over the past few years, to expand ISA's application have also been the basis of discussion between the United States and other countries ("P5+1" multilateral working group on Iran—United States, France, Britain, Russia, China, plus Germany)—about possible new U.N. sanctions against Iran's energy sector. On the other hand, some tentative agreements reached during October 1, 2009, talks between Iran and the P5+1—agreements that might ensure that Iran's nuclear program remains for civilian uses only—appear to have forestalled any immediate P5+1 move to add international sanctions against Iran.

The Iran Sanctions Act (ISA)

The Iran Sanctions Act (ISA) is one among many U.S. sanctions in place against Iran. However, it has attracted substantial attention because it authorizes penalties against foreign firms, and because many recent bills have proposed amending the Act to curtail additional types of activity, such as selling gasoline to Iran or associated shipping services. The parent countries of those firms have tended to object to sanctions such as ISA, even though these countries might share the U.S. goal of containing Iran. American firms are restricted from trading with or investing in Iran under separate U.S. measures.

Originally called the Iran-Libya Sanctions Act (ILSA), it was enacted to complement other measures—particularly Executive Order 12959 of May 6, 1995, that banned U.S. trade with and investment in Iran—intended to deny Iran the resources to further its nuclear program and to support terrorist organizations such as Hizbollah, Hamas, and Palestine Islamic Jihad. Iran's petroleum sector generates about 20% of Iran's GDP, but its onshore oil fields and oil industry infrastructure are aging and need substantial investment. Its large natural gas resources (940 trillion cubic feet, exceeded only by Russia) were undeveloped when ISA was first enacted. Iran has 136.3 billion barrels of proven oil reserves, the third largest after Saudi Arabia and Canada.

In 1995 and 1996, U.S. allies did not join the United States in enacting trade sanctions against Iran, and the Clinton Administration and Congress believed that it might be necessary for the United States to try to deter their investment in Iran. The opportunity to do so came in November 1995, when Iran opened its energy sector to foreign investment. To accommodate its ideology to retain control of its national resources, Iran used a "buy-back" investment program in which foreign firms recoup their investments from the proceeds of oil and gas discoveries but do not receive equity. With input from the Administration, on September 8, 1995, Senator Alfonse D'Amato introduced the "Iran Foreign Oil Sanctions Act" to sanction foreign firms' exports to Iran of energy technology. A revised version instead sanctioning *investment* in Iran's energy sector passed the Senate on December 18, 1995 (voice vote). On December 20, 1995, the Senate passed a version applying the legislation to Libya as well, which was refusing to yield for trial the two intelligence agents suspected in the December 21, 1988, bombing of Pan Am 103. The House passed H.R. 3107, on June 19, 1996 (415-0), and then concurred on a slightly different Senate version adopted on July 16, 1996 (unanimous consent). It was signed on August 5, 1996 (P.L. 104-172).

Key Provisions/"Triggers" and Available Sanctions

ISA consists of a number of "triggers"—activity which, if carried out, would be considered violations of ISA and could cause a firm or entity to be sanctioned in accordance with ISA's provisions. ISA provides a number of different sanctions that the President could impose that would harm a foreign firm's business opportunities in the United States. ISA does not, and probably could not legally or practically, compel any foreign government to take any specific action against one of its firms.

ISA requires the President to sanction companies (entities, persons) that make an "investment" of more than $20 million in one year in Iran's energy sector,[1] *or* that sell to Iran weapons of mass destruction (WMD) technology or "destabilizing numbers and types" of advanced conventional weapons.[2] ISA is primarily targeting foreign firms, because American firms are already prohibited from investing in Iran under the 1995 trade and investment ban discussed earlier.

Once a firm is determined to be a violator, ISA requires the imposition of *two* of a menu of six sanctions on that firm. The available sanctions the President can select from (Section 6) include (1) denial of Export-Import Bank loans, credits, or credit guarantees for U.S. exports to the sanctioned entity; (2) denial of licenses for the U.S. export of military or militarily useful technology; (3) denial of U.S. bank loans exceeding $10 million in one year; (4) if the entity is a financial institution, a prohibition on its service as a primary dealer in U.S. government bonds; and/or a prohibition on its serving as a repository for U.S. government funds (each counts as one sanction); (5) prohibition on U.S. government procurement from the entity; and (6) restriction on imports from the entity, in accordance with the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. 1701).

Waiver and Termination Authority

The President has the authority under ISA to waive the sanctions on Iran if he certifies that doing so is important to the U.S. national interest (Section 9(c)). There was also waiver authority in the original version of ISA if the parent country of the violating firm joined a sanctions regime against Iran, but this waiver provision was made inapplicable by subsequent legislation. ISA application to Iran would terminate if Iran is determined by the Administration to have ceased its efforts to acquire WMD and is removed from the U.S. list of state sponsors of terrorism, *and* no longer "poses a significant threat" to U.S. national security and U.S. allies.[3] Application to Libya terminated when the President determined on April 23, 2004, that Libya had fulfilled the requirements of all U.N. resolutions on Pan Am 103.

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[1] The definition of "investment" in ISA (Section 14 (9)) includes not only equity and royalty arrangements (including additions to existing investment, as added by P.L. 107-24) but any contract that includes "responsibility for the development of petroleum resources" of Iran, interpreted to include pipelines to or through Iran. The definition excludes sales of technology, goods, or services for such projects, and excludes financing of such purchases. For Libya, the threshold was $40 million, and sanctionable activity included export to Libya of technology banned by Pan Am 103-related Security Council Resolutions 748 (March 31, 1992) and 883 (November 11, 1993). For Iran, the threshhold dropped to $20 million, from $40 million, one year after enactment, when U.S. allies did not join a multilateral sanctions regime against Iran.

[2] This latter "trigger" was added by P.L. 109-293.

[3] This latter termination requirement added by P.L. 109-293

Traditionally reticent to impose economic sanctions, the European Union opposed ISA as an extraterritorial application of U.S. law. In April 1997, the United States and the EU agreed to avoid a trade confrontation in the World Trade Organization (WTO) over it and a separate Cuba sanctions law, (P.L. 104-114). The agreement contributed to a May 18, 1998, decision by the Clinton Administration to waive ISA sanctions ("national interest"—Section 9(c) waiver) on the first project determined to be in violation—a $2 billion[4] contract (September 1997) for Total SA of France and its partners, Gazprom of Russia and Petronas of Malaysia to develop phases 2 and 3 of the 25-phase South Pars gas field. The EU pledged to increase cooperation with the United States on non-proliferation and counter-terrorism, and the Administration indicated future investments by EU firms in Iran would not be sanctioned.

ISA was to sunset on August 5, 2001, in a climate of lessening tensions with Iran and Libya. During 1999 and 2000, the Clinton Administration had eased the trade ban on Iran somewhat to try to engage the relatively moderate Iranian President Mohammad Khatemi. In 1999, Libya yielded for trial the Pan Am 103 suspects. However, some maintained that both countries would view its expiration as a concession, and renewal legislation was enacted (P.L. 107-24, August 3, 2001). This law required an Administration report on ISA's effectiveness within 24 to 30 months of enactment; that report was submitted to Congress in January 2004 and did not recommend that ISA be repealed.

Iran Freedom Support Act Amendments

In addition to the amendments to ISA referred to above, P.L. 109-293, the "Iran Freedom and Support Act" (H.R. 6198) amended ISA by: (1) calling for, *but not requiring*, a 180-day time limit for a violation determination; (2) recommending against U.S. nuclear agreements with countries that supply nuclear technology to Iran; (3) expanding provisions of the USA Patriot Act (P.L. 107-56) to curb money-laundering for use to further WMD programs; (4) extending ISA until December 31, 2011; and (5) formally dropping Libya and changing the name to the Iran Sanctions Act.

Earlier versions of the Iran Freedom and Support Act in the 109th Congress (H.R. 282, S. 333) were viewed as too restrictive of Administration prerogatives. Among the provisions of these bills not ultimately adopted included setting a 90-day time limit for the Administration to determine whether an investment is a violation (there is no time limit in the original law); cutting U.S. foreign assistance to countries whose companies violate ISA; and, applying the U.S. trade ban on Iran to foreign subsidiaries of U.S. companies.

Effectiveness and Ongoing Challenges

The Bush Administration maintained that, even without actually imposing ISA sanctions, the threat of sanctions—coupled with Iran's reputedly difficult negotiating behavior, and compounded by Iran's growing isolation because of its nuclear program—slowed Iran's energy development. The Obama Administration has not altered any U.S. sanctions on Iran—and it renewed for another year the U.S. trade and investment ban on Iran (Executive Order 12959) in March 2009. However, the Obama Administration's overall policy approach contrasts with the

[4] Dollar figures for investments in Iran represent public estimates of the amounts investing firms are expected to spend over the life of a project, which might in some cases be several decades.

Bush Administration approach by actively attempting to engage Iran in negotiations on the nuclear issue, rather than focusing only on increasing sanctions on Iran. That approach was altered slightly in the context of the Iranian dispute over its June 12, 2009, elections in that the Administration supported "crippling" new U.N. sanctions if Iran does not return to multilateral nuclear talks by September 24, 2009. However, Iran's agreement to discussions with the P5+1 group on October 1, 2009, and the relatively constructive outcome of those talks, have apparently forestalled near term discussion of additional sanctions.

As shown in **Table 1** below, several foreign investment agreements have been agreed with Iran since the 1998 Total consortium waiver, but others have been long stalled. Some investors, such as major European firms Repsol, Royal Dutch Shell, and Total, have announced pullouts, declined further investment, or resold their investments to other companies. On July 12, 2008, Total and Petronas, the original South Pars investors, pulled out of a deal to develop a liquified natural gas (LNG) export capability at Phase 11 of South Pars, saying that investing in Iran at a time of growing international pressure over its nuclear program is "too risky." Also in 2008, Japan significantly reduced its participation in the development of Iran's large Azadegan field. Some of the void has been filled, at least partly, by Asian firms such as those of China and Malaysia. However, some of those agreements are being implemented only slowly and these companies are perceived as not being as technically capable as those that have withdrawn from Iran.

These trends have constrained Iran's energy sector significantly; Iran's deputy Oil Minister said in November 2008 that Iran needs about $145 billion in new investment over the next 10 years in order to build a thriving energy sector. As a result of sanctions and the overall climate of international isolation of Iran, its oil production has not grown—it remains at about 4.1 million barrels per day (mbd)—although it has not fallen either.

Some observers maintain that, over and above the threat of ISA sanctions and the international pressure on Iran, it is Iran's negotiating behavior that has slowed international investment in Iran's energy sector. Some international executives that have negotiated with Iran say Iran insists on deals that leave little profit, and that Iran frequently seeks to renegotiate provisions of a contract after it is ratified.

Some analyses, including by the National Academy of Sciences, say that, partly because of growing domestic consumption, Iranian oil exports are declining to the point where Iran might have negligible exports of oil by 2015.[5] Others maintain that Iran's gas sector can more than compensate for declining oil exports, although it needs gas to re-inject into its oil fields and remains a relatively minor gas exporter. It exports about 3.6 trillion cubic feet of gas, primarily to Turkey. A GAO study of December 2007, (GAO-08-58), contains a chart of *post-2003* investments in Iran's energy sector, totaling over $20 billion in investment, although the chart includes petrochemical and refinery projects, as well as projects that do not exceed the $20 million in one year threshold for ISA sanctionability.

Since the Total/Petronas/Gazprom project in 1998, no projects have been determined as violations of ISA. Some of the projects listed in the GAO report and in **Table 1** below may be under review by the State Department (Bureau of Economic Affairs), but no publication of such deals has been

[5] Stern, Roger. "The Iranian Petroleum Crisis and United States National Security," *Proceedings of the National Academy of Sciences of the United States of America*. December 26, 2006.

placed in the *Federal Register* (requirement of Section 5e of ISA), and no determinations of violation have been announced. State Department reports to Congress on ISA, required every six months, have routinely stated that U.S. diplomats raise U.S. policy concerns about Iran with investing companies and their parent countries. However, these reports do not specifically state which foreign companies are being investigated for ISA violations. Undersecretary of State for Political Affairs William Burns testified on July 9, 2008 (House Foreign Affairs Committee), that the Statoil project (listed in **Table 1**) is under review for ISA sanctions; he did not mention any of the other projects, and no other specific projects have been named since. Nor has there been a formal State Department determination on Statoil since that statement.

Some Members of Congress believe that ISA would have been even more effective if successive Administrations had imposed sanctions, and have expressed frustration that the Executive branch has not imposed ISA sanctions. Section 7043 of P.L. 111-8, the FY2009 omnibus appropriation, requires, within 180 days, an Administration report on U.S. sanctions, including which companies are believed to be violators, and what the Administration is doing to enforce sanctions on Iran. The provision appears to apply primarily to ISA.

Energy Routes and Refinery Investment

ISA's definition of "investment" has been interpreted by successive Administrations to include construction of energy routes to or through Iran—because such routes help Iran develop its petroleum resources. The Clinton and Bush Administrations used the threat of ISA sanctions to deter oil routes involving Iran and thereby successfully promoted an alternate route from Azerbaijan (Baku) to Turkey (Ceyhan). The route became operational in 2005. No sanctions were imposed on a 1997 project viewed as necessary to U.S. ally Turkey—an Iran-Turkey natural gas pipeline in which each constructed the pipeline on its side of their border. The State Department did not impose ISA sanctions on the grounds that Turkey would be importing gas originating in Turkmenistan, not Iran. However, direct Iranian gas exports to Turkey began in 2001, and, as shown in **Table 1**, in July 2007, a preliminary agreement was reached to build a second Iran-Turkey pipeline, through which Iranian gas would also flow to Europe. That agreement was not finalized during Iranian President Mahmoud Ahmadinejad's visit to Turkey in August 2008 because of Turkish commercial concerns but the deal remains under active discussion. On February 23, 2009, Iranian newspapers said Iran had formed a joint venture with a Turkish firm to export 35 billion cubic meters of gas per year to Europe; 50% of the venture would be owned by the National Iranian Gas Export Company (NIGEC).

Another pending deal is the construction of a gas pipeline from Iran to India, through Pakistan (IPI pipeline). The three governments have stated they are committed to the $7 billion project, which would take about three years to complete, but India did not sign a deal "finalization" that was signed by Iran and Pakistan on November 11, 2007. India had re-entered discussions on the project following Iranian President Mahmoud Ahmadinejad's visit to India in April 2008, which also resulted in Indian firms' winning preliminary Iranian approval to take equity stakes in the Azadegan oil field project and South Pars gas field Phase 12. India did not attend further talks on the project in September 2008, raising continued concerns on security of the pipeline, the location at which the gas would be officially transferred to India, pricing of the gas, tariffs, and the source in Iran of the gas to be sold. Perhaps to address some of those concerns, but also perhaps to move forward whether or not India joins the project, in January 2009 Iran and Pakistan amended the proposed pricing formula for the exported gas to reflect new energy market conditions. During the Bush Administration, Secretary of State Rice, on several occasions "expressed U.S. concern"

about the pipeline deal or have called it "unacceptable," but no U.S. official has stated outright that it would be sanctioned.

Iran might also be exploring other export routes for its gas. A potential project involving Iran is the Nabucco pipeline project, which would transport Iranian gas to western Europe. Iran, Turkey, and Austria reportedly are negotiating on that project. The Bush Administration did not support Iran's participation in the project and the Obama Administration apparently takes the same view, even though the project might make Europe less dependent on Russian gas supplies. Iran's Energy Minister Gholam-Hossein Nozari said on April 2, 2009, that Iran is considering negotiating a gas export route—the "Persian Pipeline"—that would send gas to Europe via Iraq, Syria, and the Mediterranean Sea.

Refinery Construction

Construction of oil refineries or petrochemical plants in Iran—included in the referenced GAO report—might also constitute sanctionable projects because they might, according to ISA's definition of investment: "include responsibility for the development of petroleum resources located in Iran." Iran has plans to build or expand, possibly with foreign investment, at least eight refineries in an effort to ease gasoline imports that supply about 30%-40% of Iran's needs.

It is not clear whether or not Iranian investments in energy projects in other countries, such as Iranian investment to help build five oil refineries in Asia (China, Indonesia, Malaysia, and Singapore) and in Syria, reported in June 2007, would constitute sanctionable investment under ISA.

Significant Purchase Agreements

Major energy deals with Iran that involve purchases of oil or natural gas from Iran would not appear to constitute violations of ISA, because ISA sanctions investment in Iran, not trade with Iran. Many of the deals listed in the chart later in this paper involve combinations of investment and purchase. In March 2008, Switzerland's EGL utility agreed to buy 194 trillion cubic feet per year of Iranian gas for 25 years, through a Trans-Adriatic Pipeline (TAP) to be built by 2010, a deal valued at least $15 billion. The United States criticized the deal as sending the "wrong message" to Iran. However, as testified by Under Secretary of State Burns on July 9, 2008, the deal appears to involve only purchase of Iranian gas, not exploration, and likely does not violate ISA. In August 2008, Germany's Steiner-Prematechnik-Gastec Co. agreed to apply its method of turning gas into liquid fuel at three Iranian plants. In early October 2008, Iran agreed to export 1 billion cu.ft./day of gas to Oman, via a pipeline to be built that would end at Oman's LNG export terminal facilities.

Efforts in the 110th Congress to Expand ISA Application

In the 110th Congress, several bills contained numerous provisions that would have further amended ISA, but they were not adopted. H.R. 1400, which passed the House on September 25, 2007 (397-16), would have removed the Administration's ability to waive ISA sanctions under Section 9(c), national interest grounds, but it would not have imposed on the Administration a time limit to determine whether a project is sanctionable.

That bill and several others—including S. 970, S. 3227, S. 3445, H.R. 957 (passed the House on July 31, 2007), and H.R. 7112 (which passed the House on September 26, 2008)—would have: (1) expanded the definition of sanctionable entities to official credit guarantee agencies, such as France's COFACE and Germany's Hermes, and to financial institutions and insurers generally; and (2) made investment to develop a liquified natural gas (LNG) sector in Iran a sanctionable violation. Iran has no LNG export terminals, in part because the technology for such terminals is patented by U.S. firms and unavailable for sale to Iran.

Among related bills in the 110th Congress, H.R. 2880 would have made sales to Iran of refined petroleum resources a violation of ISA, although some believe that a sanction such as this would only be effective if it applied to all countries under a U.N. Security Council resolution rather than a unilateral U.S. sanction. H.R. 2347, (passed the House on July 31, 2007), would protect from lawsuits fund managers that divest from firms that make ISA-sanctionable investments. (A version of this bill, H.R. 1327, has been introduced in the 111th Congress.)

In early 2009, there were some indications that congressional sentiment had some effect on foreign firms, even without enactment of significant ISA amendment in the 110th Congress. In January 2009, Reliance Industries Ltd of India said it would cease new sales of refined gasoline to Iran after completing existing contracts that expired December 31, 2008. The Reliance decision came after several Members of Congress urged the Exim Bank of the United States to suspend assistance to Reliance, on the grounds that it was assisting Iran's economy with the gas sales. The Exim Bank, in August 2008, had extended a total of $900 million in financing guarantees to Reliance to help it expand. However, some observers say Reliance continues to make such sales to Iran.

Legislation in the 111th Congress: Targeting Gasoline Sales

A number of ideas to expand ISA's application, similar to those that surfaced in the 110th Congress, have been introduced in the 111th Congress. The major bills in the 111th Congress, in general, seek to take advantage of Iran's dependence on imported gasoline. As noted, such sales to Iran are not currently sanctionable under ISA, according to widely accepted definitions of ISA violations.

One measure was passed in the Senate; an amendment to S.Con.Res. 13, the FY2010 budget resolution, expressed the Sense of Congress that the U.S. government not purchase any goods or services from any international firm that obtains at least $1 million in revenue from the sale of goods or services to Iran's energy sector. The provision defined these goods or services as including development of Iran's oil and gas fields; selling refined petroleum products to Iran, the enhancement or maintenance of Iran's oil refineries, and the provision of shipping or shipping insurance services to Iran. This provision was intended to prevent the U.S. government from procuring any products or services from any firm that conducts the sanctionable activity as defined in the provision. Filling the Strategic Petroleum Reserve with products from such firms would presumably end, if that provision had been adopted by both chambers and the recommendation followed by the Administration. An amendment along these lines was adopted in the conference report on a FY2010 Energy and Water Appropriation (H.R. 3183).

In the aftermath of Iran's crackdown on post-June 12, 2009, presidential election protests, the House Appropriations Committee marked up a version of a FY2010 foreign aid appropriation (H.R. 3081) that would deny Eximbank credits to any firm that sells gasoline to Iran, provides

equipment to Iran that it can use to expand its oil refinery capabilities, or performs gasoline production projects in Iran.

In April 2009, several bills were introduced—H.R. 2194, S. 908, H.R. 1208, and H.R. 1985—that would make sanctionable efforts by foreign firms to supply refined gasoline to Iran or to supply equipment to Iran that could be used by Iran to expand or construction oil refineries. Such activity is not now sanctionable under ISA. S. 908 and H.R. 2194—both titled the Iran Refined Petroleum Sanctions Act of 2009 (IRPSA)—would, in addition, expand the menu of sanctions to be imposed against violating firms. In both these bills, the new mandatory sanctions would include (1) prohibiting transactions in foreign exchange by the sanctioned firm; (2) prohibiting any financial transactions on behalf of the sanctioned firm; and (3) prohibiting any acquisitions or ownership of U.S. property by the sanctioned entity. H.R. 1208 contained numerous other provisions that were in several of the bills mentioned above in the 110th Congress, including eliminating the exemption in the trade ban that allows importation of Iranian luxury goods, and applying the trade ban to subsidiaries of U.S. firms (if those subsidiaries were used by the parent specifically to conduct trade with Iran).

Likely Effects of the Iran Refined Petroleum Sanctions Act

Some Members who have introduced or co-signed versions of the Iran Refined Petroleum Sanctions Act have said that although such legislation might appear to conflict with President Obama's diplomatic outreach to Iran, such bills might strengthen that approach by demonstrating to Iran that there are substantial downsides to rebuffing the U.S. overtures. Upon introducing H.R. 2194, Representative Howard Berman, Chairman of the House Foreign Affairs Committee, said: "I fully support the Administration's strategy of direct diplomatic engagement with Iran, and I have no intention of moving this bill through the legislative process in the near future.... However, should engagement with Iran not yield the desired results in a reasonable period of time, we will have no choice but to press forward with additional sanctions—such as those contained in this bill—that could truly cripple the Iranian economy." Observers have said that the Chairman might try to advance the legislation if Iran does not meet the "deadline" of September 24, 2009 to return to multilateral nuclear negotiations, although Iran appears to have now met the deadline by agreeing to talks with the P5+1 countries on October 1, 2009. The United States has accepted the talks and will send a representative to them, even though the United States has said it will not abide by Iran's statements that the talks not discuss Iran's continued enrichment of uranium.

Attempting to restrict gasoline sales to Iran is a focus not only of U.S. legislation but also of discussions among the P5+1 about further sanctions should nuclear negotiations not produce significant or lasting results. Therefore, there has been a debate over whether such a ban would accomplish significant goals in Iran. Some believe Iran's dependence on gasoline imports would, at the very least, cause Iran's government to have to spend more for such imports. Others, however, believe the government would not import more gasoline, but rather ration it or reduce subsidies for it in an effort to reduce gasoline consumption. Many believe that Iran has many willing gasoline suppliers who might ignore a U.S. law, and possibly even a U.N. resolutions along these lines. Iran and Venezuela (Petroleos de Venezuela S.A.) signed a gasoline supply deal in September 2009 that some see as a strategy by Iran to demonstrate the ineffectiveness of such a sanction. Still others believe that a gasoline ban would cause Iranians to blame the United States

and United Nations for its plight and cause Iranians to rally around President Ahmadinejad, thereby rebuilding his popularity that has suffered because of the 2009 election dispute. [6]

On the other hand, a U.N. gasoline ban, which would be mandatory on U.N. member states, would likely drive Iran's main gas suppliers out of the Iranian market. These are, according to a variety of sources: Vitol of Switzerland; Trafigura of Switzerland; Glencore of Switzerland; Total of France; Reliance Industries of India; Petronas of Malaysia; and Lukoil of Russia. Royal Dutch Shell of the Netherlands and British Petroleum of United Kingdom have been suppliers as well, although they reportedly have reduced supplies because of Iran's increasingly outcast international status. Petroleos de Venezuela might be affected because of its September 2009 deal to supply Iran with gasoline, as would state-owned Chinese firms that reportedly now provide Iran with up to one-third of its gasoline imports.[7]

Table 1. Post-1999 Major Investments in Iran's Energy Sector

($20 million + investments in oil and gas fields only and refinery upgrades included.)

Date	Field	Company(ies)	Value	Output/Goal
Feb. 1999	Doroud (oil)	Totalfina Elf (France)/ENI (Italy)	$1 billion	205,000 bpd
Apr. 1999	Balal (oil)	Totalfina Elf/ Bow Valley (Canada)/ENI	$300 million	40,000 bpd
Nov. 1999	Soroush and Nowruz (oil)	Royal Dutch Shell	$800 million	190,000 bpd
Apr. 2000	Anaran (oil)	Norsk Hydro (Norway)/Lukoil (Russia)	$100 million	100,000 (by 2010)
July 2000	Phase 4 and 5, South Pars (gas)	ENI	$1.9 billion	2 billion cu.ft./day (cfd)
Mar. 2001	Caspian Sea oil exploration	GVA Consultants (Sweden)	$225 million	?
June 2001	Darkhovin (oil)	ENI	$1 billion	160,000 bpd
May 2002	Masjid-e-Soleyman (oil)	Sheer Energy (Canada)	$80 million	25,000 bpd
Sep. 2002	Phase 9 + 10, South Pars (gas)	LG (South Korea)	$1.6 billion	2 billion cfd
Oct. 2002	Phase 6, 7, 8, South Pars (gas) (est. to begin producing late 08)	Statoil (Norway)	$2.65 billion	3 billion cfd
Jan. 2004	Azadegan (oil)	Inpex (Japan) 10% stake; China National Oil Co. agreed to develop "north Azadegan" in Jan. 2009	$200 million (Inpex stake); China	260,000 bpd

[6] Askari, Hossein and Trita Parsi. "Throwing Ahmadinejad a Lifeline." *New York Times* op-ed. August 15, 2009.

[7] Blas, Javier, Carola Hoyas, and Daniel Dombey. "Chinese Companies Supply Iran With Petrol." *Financial Times*, September 23, 2009.

Date	Field	Company(ies)	Value	Output/Goal
			$1.76 billion	
Aug. 2004	Tusan Block	Petrobras (Brazil)	$34 million	?
Oct. 2004	Yadavaran (oil). Finalized December 9, 2007	Sinopec (China)	$2 billion	185,000 bpd (by 2011)
June 2006	Gamsar block (oil)	Sinopec (China)	$20 million	?
Sept. 2006	Khorramabad block (oil)	Norsk Hydro (Norway)	$49 million	?
Mar. 07	Esfahan refinery upgrade	Daelim (S. Korea)		
Dec. 2007	Golshan and Ferdows onshore and offshore gas fields and LNG plant; modified but reaffirmed December 2008	SKS Ventures (Malaysia)	$16 billion	3.4 billion cfd
Totals		**$29.5 billion investment** **Oil: 1.085 million bpd** **Gas: 10.4 billion cfd**		

Kharg and Bahregansar fields (gas)	$1.6 billion	?	
Salkh and Southern Gashku fields (gas). Includes LNG plant (Nov. 2006)	?	?	
North Pars Gas Field (offshore gas). Includes gas purchases (Dec. 2006)	$16 billion	3.6 billion cfd	
Phase 13, 14 - South Pars (gas); (Feb. 2007). Deal cancelled in May 2008	$4.3 billion	?	
Phase 22, 23, 24 - South Pars (gas), incl. transport Iranian gas to Europe and building three power plants in Iran. Initialed July 2007; not finalized to date.	$12. billion	2 billion cfd	
Iran's Kish gas field (April 2008)	$7 billion	1 billion cfd	
Phase 12 South Pars (gas). Incl. LNG terminal construction (March 2009)	$3.2 billion	20 million tonnes of LNG annually by 2012	
South Pars gas field	$760		

Date	Field	Company(ies)		Value	Output/Goal
(September 2009)			million		
Abadan refinery upgrade and expansion; building a new refinery on the Persian Gulf coast (August 2009)					

Source: CRS, GAO cited later, and a wide variety of press announcements and sources. CRS has no way to confirm the precise status of any of the announced investments, and some investments may have been resold to other firms or terms altered since agreement.

Relationships to Other U.S. Sanctions

ISA is one of many mechanisms the United States and its European partners are using to try to pressure Iran. The following sections discuss other U.S. sanctions and measures to pressure Iran's economy. United Nations sanctions, which have gradually increased since 2006, are discussed in detail in CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman. The U.N. sanctions are discussed in that report in conjunction with analysis of multilateral efforts to curb Iran's nuclear program; which also is discussed in that CRS report. Iranian entities and persons sanctioned by the United Nations are included in **Table 3** at the end of this paper.

Ban on U.S. Trade and Investment With Iran

On May 6, 1995, President Clinton issued Executive Order 12959 banning U.S. trade and investment in Iran.[8] This followed an earlier March 1995 executive order barring U.S. investment in Iran's energy sector. The trade ban was intended to blunt criticism that U.S. trade with Iran made U.S. appeals for multilateral containment of Iran less credible. Each March since 1995 (and most recently on March 11, 2009), the U.S. Administration has renewed a declaration of a state of emergency that triggered the investment ban. Some modifications to the trade ban since 1999 account for the trade between the United States and Iran. As noted, in the 111th Congress, H.R. 1208 would reimpose many of the trade restrictions.

The following conditions and modifications, as administered by the Office of Foreign Assets Control (OFAC) of the Treasury Department, apply:

- Some goods related to the safe operation of civilian aircraft may be licensed for export to Iran, and as recently as September 2006, the George W. Bush Administration, in the interests of safe operations of civilian aircraft, permitted a sale by General Electric of Airbus engine spare parts to be installed on several Iran Air passenger aircraft (by European airline contractors).
- U.S. firms may not negotiate with Iran or to trade Iranian oil overseas. The trade ban permits U.S. companies to apply for licenses to conduct "swaps" of Caspian Sea oil with Iran. However, a Mobil Corporation application to do so was denied in April 1999.

[8] An August 1997 amendment to the trade ban (Executive Order 13059) prevented U.S. companies from knowingly exporting goods to a third country for incorporation into products destined for Iran.

- Since April 1999, commercial sales of food and medical products to Iran have been allowed, on a case-by-case basis and subject to OFAC licensing. According to OFAC in April 2007, licenses for exports of medicines to treat HIV and leukemia are routinely expedited for sale to Iran, and license applications are viewed favorably for business school exchanges, earthquake safety seminars, plant and animal conservation, and medical training in Iran. Private letters of credit can be used to finance approved transactions, but no U.S. government credit guarantees are available, and U.S. exporters are not permitted to deal directly with Iranian banks. The FY2001 agriculture appropriations law (P.L. 106-387) contained a provision banning the use of official credit guarantees for food and medical sales to Iran and other countries on the U.S. terrorism list, except Cuba, although allowing for a presidential waiver to permit such credit guarantees. Neither the Clinton Administration nor the George W. Bush Administration provided the credit guarantees.
- In April 2000, the trade ban was further eased to allow U.S. importation of Iranian nuts, dried fruits, carpets, and caviar. The United States was the largest market for Iranian carpets before the 1979 revolution, but U.S. anti-dumping tariffs imposed on Iranian products in 1986 dampened of many Iranian products. The tariff on Iranian carpets is now about 3%-6%, and the duty on Iranian caviar is about 15%. In December 2004, U.S. sanctions were further modified to allow Americans to freely engage in ordinary publishing activities with entities in Iran (and Cuba and Sudan). As of mid-2007, the product most imported from Iran by U.S. importers is pomegranate juice concentrate. In the 110th Congress, H.R. 1400, S. 970, S. 3445, and H.R. 7112 would have re-imposed the full import ban.

Application to Foreign Subsidiaries of U.S. Firms

The U.S. trade ban does not bar subsidiaries of U.S. firms from dealing with Iran, as long as the subsidiary has no operational relationship to the parent company. Among major subsidiaries that have traded with Iran are the following:

- Halliburton. On January 11, 2005, Iran said it had contracted with U.S. company Halliburton, and an Iranian company, Oriental Kish, to drill for gas in Phases 9 and 10 of South Pars. Halliburton reportedly provided $30 million to $35 million worth of services per year through Oriental Kish, leaving unclear whether Halliburton would be considered in violation of the U.S. trade and investment ban or the Iran Sanctions Act (ISA)[9]—because the deals involved a subsidiary of Halliburton (Cayman Islands-registered Halliburton Products and Service, Ltd, based in Dubai). On April 10, 2007, Halliburton announced that its subsidiaries had, as promised in January 2005, no longer operating in Iran.
- General Electric (GE). The firm announced in February 2005 that it would seek no new business in Iran, and it reportedly wound down pre-existing contracts by July 2008. GE was selling Iran equipment and services for hydroelectric, oil and

[9] "Iran Says Halliburton Won Drilling Contract." *Washington Times*, January 11, 2005.

gas services, and medical diagnostic projects through Italian, Canadian, and French subsidiaries.

- Foreign subsidiaries of several other U.S. energy equipment firms are apparently still in the Iranian market. These include Foster Wheeler, Natco Group, Overseas Shipholding Group, [10] UOP (a Honeywell subsidiary), Itron, Fluor, Flowserve, Parker Drilling, Vantage Energy Services, Weatherford, and a few others.
- An Irish subsidiary of the Coca Cola company provides syrup for the U.S.-brand soft drink to an Iranian distributor, Khoshgovar. Local versions of both Coke and of Pepsi (with Iranian-made syrups) are also marketed in Iran by distributors who licensed the recipes for those soft drinks before the Islamic revolution and before the trade ban was imposed on Iran.

In the 110th Congress, S. 970, S. 3227, S. 3445, and three House-passed bills (H.R. 1400, H.R. 7112, and H.R. 957)—would have applied sanctions to the parent companies of U.S. subsidiaries if those subsidiaries are directed or formed to trade with Iran. In the 111th Congress, H.R. 1208 contains a similar provision.

Treasury Department "Targeted Financial Measures"

U.S. officials, whose leverage has been enhanced by five U.N. Security Council Resolutions passed since 2006 that sanction Iran, have persuaded many European and other banks not to finance exports to Iran or to process dollar transactions with Iranian banks; and they have persuaded European governments to reduce export credits guarantees to Iran. The actions have, according to the International Monetary Fund, partly dried up financing for energy industry and other projects in Iran, and have caused potential investors in the energy sector to withdraw from or hesitate on finalizing pending projects.

These are the results of "targeted financial measures" undertaken by the Treasury Department, particularly the office of Undersecretary of the Treasury Stuart Levey (who has remained in the Obama Administration). Levey and other officials have been able to convince individual foreign banks that dealing with Iran entails financial risk and furthers terrorism and proliferation. Treasury Secretary Timothy Geithner has described Levey as having "led the design of a remarkably successful program"[11] with regard to targeting Iran's proliferation networks.

Treasury and State Departments officials, in April 17, 2008, testimony before the House Foreign Affairs Committee, said they had persuaded at least 40 banks not to provide financing for exports to Iran or to process dollar transactions for Iranian banks. Among those that have pulled out of Iran are UBS and Credit Suisse (Switzerland), HSBC (Britain), Germany's Commerzbank A.G and Deutsche Bank AG. U.S. pressure has reportedly convinced Kuwaiti banks to stop transactions with Iranian accounts,[12] and some banks in Asia (primarily South Korea and Japan) and the rest of the Middle East have done the same. The International Monetary Fund and other

[10] Prada, Paulo, and Betsy McKay. Trading Outcry Intensifies. *Wall Street Journal*, March 27, 2007; Brush, Michael. Are You Investing in Terrorism? MSN Money, July 9, 2007.

[11] Hearing of the Financial Services and General Government Subcommittee of the House Appropriations Committee, *Federal News Service*, May 21, 2009.

[12] Mufson, Steven and Robin Wright. "Iran Adapts to Economic Pressure." *Washington Post*, October 29, 2007.

sources report that these measures are making it more difficult to fund energy industry and other projects in Iran and for importers/exporters to conduct trade in expensive items.

Some of these results have come about through U.S. pressure. In 2004, the Treasury Department fined UBS $100 million for the unauthorized movement of U.S. dollars to Iran and other sanctioned countries, and in December 2005, the Treasury Department fined Dutch bank ABN Amro $80 million for failing to fully report the processing of financial transactions involving Iran's Bank Melli (and another bank partially owned by Libya).

In action intended to cut Iran off from the U.S. banking system, on September 6, 2006, the Treasury Department barred U.S. banks from handling any indirect transactions ("U-turn transactions, meaning transactions with non-Iranian foreign banks that are handling transactions on behalf of an Iranian bank) with Iran's Bank Saderat (see above), which the Administration accuses of providing funds to Hezbollah.[13] Bank Sepah is subject to asset freezes and transactions limitations as a result of Resolution 1737 and 1747. The Treasury Department extended that U-Turn restriction to all Iranian banks on November 6, 2008.

Thus far, the Treasury Department has not designated any bank as a "money laundering entity" for Iran-related transactions (under Section 311 of the USA Patriot Act), although some say that step has been threatened at times. Nor has Treasury imposed any specific sanctions against Bank Markazi (Central Bank) which, according to a February 25, 2008, *Wall Street Journal* story, is helping other Iranian banks circumvent the U.S. and U.N. banking pressure. However, the European countries reportedly oppose such a sanction as an extreme step with potential humanitarian consequences, for example by preventing Iran from keeping its currency stable. S. 3445, a Senate bill in the 110th Congress, and a counterpart passed by the House on September 26, 2008, H.R. 7112, call for this sanction. The FY2010 National Defense Authorization Act (H.R. 2647), as passed by the Senate, expresses the Sense of the Senate that the Administration sanction Iran's Central Bank if Iran does not negotiate in good faith to curb its nuclear program.

In enforcing U.S. sanctions, on December 17, 2008, the U.S. Attorney for the Southern District of New York filed a civil action seeking to seize the assets of the Assa Company, a U.K-chartered entity. Assa allegedly was maintaining the interests of Bank Melli in an office building in New York City. An Iranian foundation, the Alavi Foundation, allegedly is an investor in the building.

Terrorism-Related Sanctions

Several U.S. sanctions are in effect as a result of Iran's presence on the U.S. "terrorism list." The list was established by Section 6(j) of the Export Administration Act of 1979, sanctioning countries determined to have provided repeated support for acts of international terrorism. Iran was added to the list in January 1984, following the October 1983 bombing of the U.S. Marine barracks in Lebanon (believed perpetrated by Hezbollah). Sanctions imposed as a consequence include a ban on U.S. foreign aid to Iran; restrictions on U.S. exports to Iran of dual use items; and requires the United States to vote against international loans to Iran.

- The terrorism list designation restricts sales of U.S. dual use items (Export Administration Act, as continued by executive order), and, under other laws, bans

[13] Kessler, Glenn. "U.S. Moves to Isolate Iranian Banks." *Washington Post*, September 9, 2006.

direct U.S. financial assistance (Foreign Assistance Act, FAA) and arms sales (Arms Export Control Act), and requires the United States to vote to oppose multilateral lending to the designated countries (Anti-Terrorism and Effective Death Penalty Act of 1996, P.L. 104-132). Waivers are provided under these laws, but successive foreign aid appropriations laws since the late 1980s ban direct assistance to Iran (loans, credits, insurance, Eximbank credits) without providing for a waiver.

- Section 307 of the FAA (added in 1985) names Iran as unable to benefit from U.S. contributions to international organizations, and require proportionate cuts if these institutions work in Iran. No waiver is provided for.
- The Anti-Terrorism and Effective Death Penalty Act also requires the President to withhold U.S. foreign assistance to any country that provides to a terrorism list country foreign assistance or arms. Waivers are provided.

U.S. sanctions laws do not bar disaster aid and the United States donated $125,000, through relief agencies, to help victims of two earthquakes in Iran (February and May 1997), and another $350,000 worth of aid to the victims of a June 22, 2002 earthquake. (The World Bank provided some earthquake related lending as well.) The United States provided $5.7 million in assistance (out of total governmental pledges of about $32 million, of which $17 million have been remitted) to the victims of the December 2003 earthquake in Bam, Iran, which killed as many as 40,000 people and destroyed 90% of Bam's buildings. The United States military flew in 68,000 kilograms of supplies to Bam.

Executive Order 13224

The separate, but related, Executive Order 13324 (September 23, 2001) authorizes the President to freeze the assets of and bar U.S. transactions with entities determined to be supporting international terrorism. Iranian entities named and sanctioned under this order are in the tables at the end of CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman. Those tables also include the names of Iranian entities sanctioned by the United Nations.

Proliferation-Related Sanctions

Iran is prevented from receiving advanced technology from the United States under relevant and Iran-specific anti-proliferation laws[14] and by Executive Order 13382 (June 28, 2005).

The Iran-Iraq Arms Nonproliferation Act (P.L. 102-484) requires denial of license applications for exports to Iran of dual use items, and imposes sanctions on foreign countries that transfer to Iran "destabilizing numbers and types of conventional weapons," as well as WMD technology.

The Iran Nonproliferation Act (P.L. 106-178, now called the Iran-Syria-North Korea Non-Proliferation Act) authorizes sanctions on foreign entities that assist Iran's WMD programs. It bans U.S. extraordinary payments to the Russian Aviation and Space Agency in connection with the international space station unless the President can certify that the agency or entities under its

[14] Such laws include the Atomic Energy Act of 1954 and the Energy Policy Act of 2005 (P.L. 109-58).

control had not transferred any WMD or missile technology to Iran within the year prior.[15] (A Continuing Resolution for FY2009, which funded the U.S. government through March 2009, waived this law to allow NASA to continue to use Russian vehicles to access the International Space Station.)

Executive Order 13382 allows the President to block the assets of proliferators of weapons of mass destruction (WMD) and their supporters under the authority granted by the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), and Section 301 of Title 3, United States Code.

The George W. Bush Administration decided to impose sanctions for violations, and it sanctioned numerous entities as discussed below. The Obama Administration sanctioned several entities on February 2, 2009, suggesting it is continuing that policy. Iranian entities designated under these laws and orders are listed in the tables at the end of CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman, which includes lists of other entities sanctioned by the United Nations and other U.S. laws and Executive orders.

Despite these efforts, Iran has used loopholes and other devices, such as front companies, to elude U.S. and international sanctions. Some of these efforts focus on countries perceived as having lax enforcement of export control laws, such as UAE and Malaysia. In some cases, Iran has been able, according to some reports, to obtain sophisticated technology even from U.S. firms.[16]

In addition, successive foreign aid appropriations punish the Russian Federation for assisting Iran by withholding 60% of any U.S. assistance to the Russian Federation unless it terminates technical assistance to Iran's nuclear and ballistic missiles programs.

Relations to International Sanctions

The U.S. sanctions discussed in this paper are more extensive than those imposed, to date, by the United Nations Security Council. However, some of the U.N. sanctions are similar to some unilateral U.S. sanctions and sanctions that have been imposed separately by U.S. allies. As part of a multilateral process of attempting to convince Iran to choose the path of negotiations or face further penalty, during 2006-2008, three U.N. Security Council resolutions—1737, 1747, and 1803—imposed sanctions primarily on Iran's weapons of mass destruction (WMD) infrastructure. While pressing for sanctions, the multilateral group negotiation with Iran ("P5+1:" the Security Council permanent members, plus Germany) at the same time offered Iran incentives to suspend uranium enrichment; the last meeting between Iran and the P5+1 to discuss these issues was in July 2008. The negotiations made little progress, and then entered a hiatus for the U.S. presidential election, the establishment of the Obama Administration, and then the Iranian presidential election.

[15] The provision contains certain exceptions to ensure the safety of astronauts, but it nonetheless threatened to limit U.S. access to the international space station after April 2006, when Russia started charging the United States for transportation on its Soyuz spacecraft. Legislation in the 109th Congress (S. 1713, P.L. 109-112) amended the provision in order to facilitate continued U.S. access and extended INA sanctions provisions to Syria.

[16] Warrick, Joby. "Iran Using Fronts to Get Bomb Parts From U.S." *Washington Post*, January 11, 2009; Institute for Science and International Security. "Iranian Entities' Illicit Military Procurement Networks." David Albright, Paul Brannan, and Andrea Scheel. January 12, 2009.

As noted above, talks resumed on October 1, 2009, and were viewed as productive. Had they not been, a U.N. ban on gasoline sales to Iran might have been discussed, although comments by the Russian and French Foreign Ministers during September 10-21, 2009, suggest that support for such a step within the U.N. Security Council is lacking. Other ideas reportedly under discussion include a British proposal to ban worldwide investment in Iran's energy sector, which would represent a U.N. endorsement of the key concept of the Iran Sanctions Act, and a ban on transactions with a broader range of Iranian banks. As noted, these ideas are likely on hold unless and until Iran's commitments made on October 1, 2009, particularly the commitment to send out its low-enriched uranium for reprocessing abroad, are tested.

The main provisions of the current U.N. sanctions are below:

Table 2. Summary of Provisions of U.N. Resolutions on Iran Nuclear Program (1737, 1747, and 1803)

Require Iran to suspend uranium enrichment
Prohibit transfer to Iran of nuclear, missile, and dual use items to Iran, except for use in light water reactors
Prohibit Iran from exporting arms or WMD-useful technology
Freeze the assets of 40 named Iranian persons and entities, including Bank Sepah, and several Iranian front companies
Require that countries exercise restraint with respect to travel of 35 named Iranians and ban the travel of 5 others
Call on states not to export arms to Iran or support new business with Iran
Call for vigilance with respect to the foreign activities of all Iranian banks, particularly Bank Melli and Bank Saderat
Calls on countries to inspect cargoes carried by Iran Air Cargo and Islamic Republic of Iran Shipping Lines if there are indications they carry cargo banned for carriage to Iran.

Efforts to Promote Divestment and Internet Freedom

A growing trend not only in Congress but in several states is to require or call for or require divestment of shares of firms that have invested in Iran's energy sector (at the same levels considered sanctionable under the Iran Sanctions Act).[17]

Legislation in the 110th Congress, H.R. 1400, did not require divestment, but requires a presidential report on firms that have invested in Iran's energy sector. Another bill, H.R. 1357, required government pension funds to divest of shares in firms that have made ISA-sanctionable investments in Iran's energy sector and bar government and private pension funds from future investments in such firms. Two other bills, H.R. 2347 (passed by the House on July 31, 2007) and S. 1430, would protect mutual fund and other investment companies from shareholder action for any losses that would occur from divesting in firms that have investing in Iran's energy sector.

[17] For information on the steps taken by individual states, see National Conference of State Legislatures. State Divestment Legislation.

In the 111th Congress, H.R. 1327 (Iran Sanctions Enabling Act), a bill similar to H.R. 2347 of the 110th Congress, was reported by the Financial Services Committee on April 28, 2009. A similar bill. S. 1065, has been introduced in the Senate.

Efforts to Prevent Internet Monitoring by Iran

Another trend in the 111th Congress, after the Iran election dispute, has been efforts to promote Internet freedom in Iran or prevent the Iranian government from censoring or controlling the Internet, or using it to identify opponents. S. 1475 and H.R. 3284, the Reduce Iranian Cyber-Suppression Act, would authorize the President to ban U.S. governments contracts with foreign companies that sell technology that Iran could use to monitor or control Iranian usage of the internet. Firms, including a joint venture between Nokia (Finland) and Siemens (Germany), reportedly sold such technology to Iran in 2008.[18] Some question whether such a sanction might reduce allied cooperation with the United States if allied companies are so sanctioned.

Blocked Iranian Property and Assets

Iranian leaders continue to assert that the United States is holding Iranian assets, and that this is an impediment to improved relations. A U.S.-Iran Claims Tribunal at the Hague continues to arbitrate cases resulting from the 1980 break in relations and freezing of some of Iran's assets. Major cases yet to be decided center on hundreds of Foreign Military Sales (FMS) cases between the United States and the Shah's regime, which Iran claims it paid for but were unfulfilled. About $400 million in proceeds from the resale of that equipment was placed in a DOD FMS account, and about $22 million in Iranian diplomatic property remains blocked, although U.S. funds have been disbursed—credited against the DOD FMS account—to pay judgments against Iran for past acts of terrorism against Americans. Other disputes include the mistaken U.S. shoot-down on July 3, 1988, of an Iranian Airbus passenger jet (Iran Air flight 655), for which the United States, in accordance with an ICJ judgment, paid Iran $61.8 million in compensation ($300,000 per wage earning victim, $150,000 per non-wage earner) for the 248 Iranians killed. The United States has not compensated Iran for the airplane itself. As it has in past similar cases, the Bush Administration opposed a terrorism lawsuit against Iran by victims of the U.S. Embassy Tehran seizure on the grounds of diplomatic obligation.[19]

Table 3. Entities Sanctioned Under U.N. Resolutions and U.S. Laws and Executive Orders

(Persons listed are identified by the positions they held when designated; some have since changed.)

Entities Named for Sanctions Under Resolution 1737	
Atomic Energy Organization of Iran (AEIO) Mesbah Energy Company (Arak supplier)	Gen Hosein Salimi (Commander, IRGC Air Force)
Kalaye Electric (Natanz supplier))	Dawood Agha Jani (Natanz official)
Pars Trash Company (centrifuge program) Farayand Technique (centrifuge program)	Ali Hajinia Leilabadi (director of Mesbah Energy)
	Lt. Gen. Mohammad Mehdi Nejad Nouri

[18] Rhoads, Christopher. "Iran's Web Spying Aided by Western Technology." Wall Street Journal, June 22, 2009.

[19] See CRS Report RL31258, *Suits Against Terrorist States by Victims of Terrorism*, by Jennifer K. Elsea.

Defense Industries Organization (DIO) 7th of Tir (DIO subordinate) Shahid Hemmat Industrial Group (SHIG)—missile program Shahid Bagheri Industrial Group (SBIG) - missile program Fajr Industrial Group (missile program) Mohammad Qanadi, AEIO Vice President Behman Asgarpour (Arak manager) Ehsan Monajemi (Natanz construction manager) Jafar Mohammadi (Adviser to AEIO)	(Malak Ashtar University of Defence Technology rector) Bahmanyar Morteza Bahmanyar (AIO official) Reza Gholi Esmaeli (AIO official) Ahmad Vahid Dastjerdi (head of Aerospace Industries Org., AIO) Maj. Gen. Yahya Rahim Safavi (Commander in Chief, IRGC)
Entities/Persons Added by Resolution 1747	
Ammunition and Metallurgy Industries Group (controls 7th of Tir) Parchin Chemical Industries (branch of DIO) Karaj Nuclear Research Center Novin Energy Company Cruise Missile Industry Group Sanam Industrial Group (subordinate to AIO) Ya Mahdi Industries Group Kavoshyar Company (subsidiary of AEIO) Sho'a Aviation (produces IRGC light aircraft for asymmetric warfare) Bank Sepah (funds AIO and subordinate entities) Esfahan Nuclear Fuel Research and Production Center and Esfahan Nuclear Technology Center Qods Aeronautics Industries (produces UAV's, para-gliders for IRGC asymmetric warfare) Pars Aviation Services Company (maintains IRGC Air Force equipment) Gen. Mohammad Baqr Zolqadr (IRGC officer serving as deputy Interior Minister Brig. Gen. Qasem Soleimani (Qods Force commander)	Fereidoun Abbasi-Davani (senior defense scientist) Mohasen Fakrizadeh-Mahabai (defense scientist) Seyed Jaber Safdari (Natanz manager) Mohsen Hojati (head of Fajr Industrial Group) Ahmad Derakshandeh (head of Bank Sepah) Brig. Gen. Mohammad Reza Zahedi (IRGC ground forces commander) Amir Rahimi (head of Esfahan nuclear facilities) Mehrdada Akhlaghi Ketabachi (head of SBIG) Naser Maleki (head of SHIG) Brig. Gen. Morteza Reza'i (Deputy commander-in-chief, IRGC) Vice Admiral Ali Akbar Ahmadiyan (chief of IRGC Joint Staff) Brig. Gen. Mohammad Hejazi (Basij commander)
Entities Added by Resolution 1803	
Thirteen Iranians named in Annex 1 to Resolution 1803; all reputedly involved in various aspects of nuclear program Electro Sanam Co. Abzar Boresh Kaveh Co. (centrifuge production)	Ettehad Technical Group (AIO front co.) Industrial Factories of Precision Joza Industrial Co. Pshgam (Pioneer) Energy Industries

Barzaganin Tejaral Tavanmad Saccal Jabber Ibn Hayan Khorasan Metallurgy Industries Niru Battery Manufacturing Co. (Makes batteries for Iranian military and missile systems) Safety Equipment Procurement (AIO front, involved in missiles)	Tamas Co. (involved in uranium enrichment)

Entities Designated Under U.S. Executive Order 13382
(many designations coincident with designations under U.N. resolutions)

Entity	**Date Named**
Shahid Hemmat Industrial Group (Iran)	June 2005, Sept. 07
Shahid Bakeri Industrial Group (Iran)	June 2005, Feb. 2009
Atomic Energy Organization of Iran	June 2005
Novin Energy Company (Iran)	January 2006
Mesbah Energy Company (Iran)	January 2006
Four Chinese entities: Beijing Alite Technologies, LIMMT Economic and Trading Company, China Great Wall Industry Corp, and China National Precision Machinery Import/Export Corp.	June 2006
Sanam Industrial Group (Iran)	July 2006
Ya Mahdi Industries Group (Iran)	July 2006
Bank Sepah (Iran)	January 2007
Defense Industries Organization (Iran)	March 2007
Pars Trash (Iran, nuclear program)	June 2007
Farayand Technique (Iran, nuclear program)	June 2007
Fajr Industries Group (Iran, missile program)	June 2007
Mizan Machine Manufacturing Group (Iran, missile prog.)	June 2007
Aerospace Industries Organization (AIO) (Iran)	Sept. 2007
Korea Mining and Development Corp. (N. Korea)	Sept. 2007
Islamic Revolutionary Guard Corps (IRGC)	October 21, 07
Ministry of Defense and Armed Forces Logistics	October 21
Bank Melli (Iran's largest bank, widely used by Guard); Bank Melli Iran Zao (Moscow); Melli Bank PC (U.K.)	October 21
Bank Kargoshaee	October 21
Arian Bank (joint venture between Melli and Bank Saderat). Based in Afghanistan	October 21
Bank Mellat (provides banking services to Iran's nuclear sector); Mellat Bank SB CJSC (Armenia). Reportedly has $1.4 billion in assets in UAE	October 21
Persia International Bank PLC (U.K.)	October 21

Khatam ol Anbiya Gharargah Sazendegi Nooh (Revolutionary Guard construction, contracting arm, with $7 billion in oil, gas deals	October 21
Oriental Oil Kish (Iranian oil exploration firm)	October 21
Ghorb Karbala; Ghorb Nooh (synonymous with Khatam ol Anbiya)	October 21
Sepasad Engineering Company (Guard construction affiliate)	October 21
Omran Sahel (Guard construction affiliate)	October 21
Sahel Consultant Engineering (Guard construction affiliate)	October 21
Hara Company	October 21
Gharargahe Sazandegi Ghaem	October 21
Bahmanyar Morteza Bahmanyar (AIO, Iran missile official, see above under Resolution 1737)	October 21
Ahmad Vahid Dastjerdi (AIO head, Iran missile program)	October 21
Reza Gholi Esmaeli (AIO, see under Resolution 1737)	October 21
Morteza Reza'i (deputy commander, IRGC) See also Resolution 1747	October 21
Mohammad Hejazi (Basij commander). Also, Resolution 1747	October 21,
Ali Akbar Ahmadian (Chief of IRGC Joint Staff). Resolution 1747	October 21,
Hosein Salimi (IRGC Air Force commander). Resolution 1737	October 21,
Qasem Soleimani (Qods Force commander). Resolution 1747	October 21
Future Bank (Bahrain-based but allegedly controlled by Bank Melli)	March 12, 2008
Yahya Rahim Safavi (former IRGC Commander in Chief	July 8, 2008
Mohsen Fakrizadeh-Mahabadi (senior Defense Ministry scientist)	July 8, 2008
Dawood Agha-Jani (head of Natanz enrichment site)	July 8, 2008
Mohsen Hojati (head of Fajr Industries, involved in missile program)	July 8, 2008
Mehrdada Akhlaghi Ketabachi (heads Shahid Bakeri Industrial Group)	July 8, 2008
Naser Maliki (heads Shahid Hemmat Industrial Group)	July 8, 2008
Tamas Company (involved in uranium enrichment)	July 8, 2008
Shahid Sattari Industries (makes equipment for Shahid Bakeri)	July 8, 2008
7th of Tir (involved in developing centrifuge technology)	July 8, 2008
Ammunition and Metallurgy Industries Group (partner of 7th of Tir)	July 8, 2008
Parchin Chemical Industries (deals in chemicals used in ballistic missile programs)	July 8, 2008

Karaj Nuclear Research Center	August 12, 08
Esfahan Nuclear Fuel Research and Production Center (NFRPC)	August 12, 08
Jabber Ibn Hayyan (reports to Atomic Energy Org. of Iran, AEIO)	August 12, 08
Safety Equipment Procurement Company	August 12, 08
Joza Industrial Company (front company for Shahid Hemmat Industrial Group, SHIG)	August 12, 08
Islamic Republic of Iran Shipping Lines (IRISL) and 18 affiliates, including Val Fajr 8; Kazar; Irinvestship; Shipping Computer Services; Iran o Misr Shipping; Iran o Hind; IRISL Marine Services; Iriatal Shipping; South Shipping; IRISL Multimodal; Oasis; IRISL Europe; IRISL Benelux; IRISL China; Asia Marine Network; CISCO Shipping; and IRISL Malta	September 10, 2008
Firms affiliated to the Ministry of Defense, including Armament Industries Group; Farasakht Industries; Iran Aircraft Manufacturing Industrial Co.; Iran Communications Industries; Iran Electronics Industries; and Shiraz Electronics Industries	September 17, 2008
Export Development Bank of Iran. Provides financial services to Iran's Ministry of Defense and Armed Forces Logistics	October 22, 2008
Assa Corporation (alleged front for Bank Melli involved in managing property in New York City on behalf of Iran)	December 17, 2008
11 Entities Tied to Bank Melli: Bank Melli Iran Investment (BMIIC); Bank Melli Printing and Publishing; Melli Investment Holding; Mehr Cayman Ltd.; Cement Investment and Development; Mazandaran Cement Co.; Shomal Cement; Mazandaran Textile; Melli Agrochemical; First Persian Equity Fund; BMIIC Intel. General Trading	March 3, 2009
Entities Sanctioned Under Executive Order 13224 (Terrorism Entities)	
Qods Force	October 21, 2007
Bank Saderat (allegedly used to funnel Iranian money to Hezbollah, Hamas, PIJ, and other Iranian supported terrorist groups)	October 21, 2007
Al Qaeda Operatives in Iran: Saad bin Laden; Mustafa Hamid; Muhammad Rab'a al-Bahtiyti; Alis Saleh Husain	Jan. 16, 2009
Entities Sanctioned Under the Iran Non-Proliferation Act and other U.S. Proliferation Laws	
Norinco (China). For alleged missile technology sale to Iran.	May 2003
Taiwan Foreign Trade General Corporation (Taiwan)	July 4, 2003
Tula Instrument Design Bureau (Russia). For alleged sales of laser-guided artillery shells to Iran.	Sept. 17, 2003
13 entities sanctioned including companies from Russia, China, Belarus, Macedonia, North Korea, UAE, and Taiwan.	April 7, 2004
14 entities from China, North Korea, Belarus, India (two nuclear scientists, Dr. Surendar and Dr. Y.S.R. Prasad), Russia, Spain, and Ukraine.	September 29, 2004
14 entities, mostly from China, for alleged supplying of Iran's missile program. Many, such as North Korea's Changgwang	December 2004 and January 2005

Sinyong and China's Norinco and Great Wall Industry Corp, have been sanctioned several times previously. Newly sanctioned entities included North Korea's Paeksan Associated Corporation, and Taiwan's Ecoma Enterprise Co.	
9 entities, including those from China (Norinco yet again), India (two chemical companies), and Austria. Sanctions against Dr. Surendar of India (see September 29, 2004) were ended, presumably because of information exonerating him.	December 26, 2005
7 entities. Two Indian chemical companies (Balaji Amines and Prachi Poly Products); two Russian firms (Rosobornexport and aircraft manufacturer Sukhoi); two North Korean entities (Korean Mining and Industrial Development, and Korea Pugang Trading); and one Cuban entity (Center for Genetic Engineering and Biotechnology).	August 4, 2006
9 entities. Rosoborneksport, Tula Design, and Komna Design Office of Machine Building, and Alexei Safonov (Russia); Zibo Chemical, China National Aerotechnology, and China National Electrical (China). Korean Mining and Industrial Development (North Korea) for WMD or advanced weapons sales to Iran (and Syria).	January 2007
14 entities, including Lebanese Hezbollah. Some were penalized for transactions with Syria. Among the new entities sanctioned for assisting Iran were Shanghai Non-Ferrous Metals Pudong Development Trade Company (China); Iran's Defense Industries Organization; Sokkia Company (Singapore); Challenger Corporation (Malaysia); Target Airfreight (Malaysia); Aerospace Logistics Services (Mexico); and Arif Durrani (Pakistani national).	April 23, 2007
13 entities: China Xinshidai Co.; China Shipbuilding and Offshore International Corp.; Huazhong CNC (China); IRGC; Korea Mining Development Corp. (North Korea); Korea Taesong Trading Co. (NK); Yolin/Yullin Tech, Inc. (South Korea); Rosoboronexport (Russia sate arms export agency); Sudan Master Technology; Sudan Technical Center Co; Army Supply Bureau (Syria); R and M International FZCO (UAE); Venezuelan Military Industries Co. (CAVIM);	October 23, 2008
Entities Designated as Threats to Iraqi Stability under Executive Order 13438	
Ahmad Forouzandeh. Commander of the Qods Force Ramazan Headquarters, accused of fomenting sectarian violence in Iraq and of organizing training in Iran for Iraqi Shiite militia fighters	January 9, 2008
Abu Mustafa al-Sheibani. Iran based leader of network that funnels Iranian arms to Shiite militias in Iraq.	January 9, 2008
Isma'il al-Lami (Abu Dura). Shiite militia leader, breakaway from Sadr Mahdi Army, alleged to have committed mass kidnapings and planned assassination attempts against Iraqi Sunni politicians	January 9, 2008
Mishan al-Jabburi. Financier of Sunni insurgents, owner of pro-insurgent Al-Zawra television, now banned	January 9, 2008
Al Zawra Television Station	January 9, 2008
Khata'ib Hezbollah (pro-Iranian Mahdi splinter group)	July 2, 2009
Abu Mahdi al-Muhandis	July 2, 2009

Author Contact Information

Kenneth Katzman
Specialist in Middle Eastern Affairs
kkatzman@crs.loc.gov, 7-7612