



# Iran Sanctions

**Kenneth Katzman**

Specialist in Middle Eastern Affairs

March 12, 2010

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

RS20871

## 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 been modified slightly to allow for some bilateral trade, mainly 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 several Iranian banks.

This paper is not a comprehensive assessment of the effectiveness of U.S. and international sanctions on Iran, in part because of the difficulty in determining how significant a factor sanctions are in Iran's economic and political difficulties, or in Iran's domestic or foreign policy decisions. U.S. officials have identified Iran's energy sector as a key Iranian economic 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. Still, ISA, when coupled with broader factors, may have influenced some international firms' decisions whether to invest in Iran. Iran has been unable to expand oil production beyond 4.1 million barrels per day, although it does now have a gas export sector that it did not have before Iran opened its fields to foreign investment in 1996.

In an attempt to strengthen U.S. leverage with its allies to back such international sanctions, several major bills in the 111<sup>th</sup> Congress would add U.S. sanctions on Iran. Most notable is H.R. 2194 (which passed the House on December 15, 2009), which would add 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. A Senate version was passed on January 28, 2010 (S. 2799), which contains these sanctions as well as a broad range of other measures against Iran. It was passed as an amendment to H.R. 2194 on March 11, 2010, setting up conference action on the differing versions.

While the oil and gas sector has been a focus of U.S. sanctions since the 1990s, the Obama Administration appears to be shifting - in U.S. regulations and in discussions with U.S. allies - to targeting Iran's Islamic Revolutionary Guard Corps for sanctions. This shift is intended to weaken the Guard as a proliferation-supporting organization, as well as to expose its role in trying to crush the democratic opposition in Iran. A growing trend in Congress, reflected in several bills that are have passed or are in various stages of consideration, would sanction Iranian officials who are human rights abusers, facilitate the democracy movement's access to information, and express outright U.S. support for the overthrow of the regime. For more on Iran, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

## Contents

Overview .....	1
The Iran Sanctions Act (ISA) .....	1
Key Provisions/”Triggers” and Available Sanctions .....	2
Waiver and Termination Authority .....	3
Iran Freedom Support Act Amendments .....	4
Implementation, Effectiveness, and Ongoing Challenges .....	4
Energy Routes and Refinery Investment .....	5
Effectiveness of ISA .....	6
Congressional Efforts to Expand ISA Application to Gas Sales .....	7
Legislation in the 111 <sup>th</sup> Congress: Targeting Gasoline Sales .....	8
Administration Review of Potential ISA Violations .....	11
Other U.S. Sanctions .....	14
Ban on U.S. Trade and Investment With Iran .....	14
Treasury Department “Targeted Financial Measures” .....	17
Terrorism List Designation-Related Sanctions .....	18
Executive Order 13224 .....	19
Proliferation-Related Sanctions .....	20
Iran-Iraq Arms Nonproliferation Act .....	20
Iran-Syria-North Korea Nonproliferation Act .....	20
Executive Order 13382 .....	20
Foreign Aid Restrictions for Suppliers of Iran .....	20
Implementation .....	21
Relations to International Sanctions .....	21
Efforts to Promote Divestment .....	22
Sanctions and Other Proposals to Support Iran’s Democratic Opposition .....	22
Measures to Sanction Human Rights Abuses and Promote the Opposition .....	23
Blocked Iranian Property and Assets .....	24

## Tables

Table 1. Post-1999 Major Investments/Major Development Projects in Iran’s Energy Sector .....	12
Table 2. Entities Sanctioned Under U.N. Resolutions and U.S. Laws and Executive Orders .....	24

## Contacts

Author Contact Information .....	30
----------------------------------	----

## Overview

Iran is subject to one of the most stringent U.S. sanctions regime of any country in the world. Many of these sanctions overlap each other as well as the several U.N. sanctions imposed since 2006 because of Iran's nuclear program development. A particular focus of legislation in the 110<sup>th</sup> and 111<sup>th</sup> Congress has been to expand the provisions of the Iran Sanctions Act (ISA) to apply to additional types of business with Iran. That law has caused differences of opinion between the United States and its European allies ever since its adoption in 1996 because it mandates U.S. imposition of sanctions on foreign firms.

The Obama Administration's overall policy approach toward Iran has contrasted with the Bush Administration by actively engaging Iran in negotiations on the nuclear issue, rather than focusing only on increasing sanctions on Iran. That approach was not dramatically altered in the immediate aftermath of the Iranian dispute over its June 12, 2009, elections. However, the Administration expressed its intention to join its partners and other countries in imposing "crippling" new U.N. sanctions if Iran did not return to multilateral nuclear talks by late September 2009. That deadline was later amended to the end of 2009, in order to allow time to reach an agreement with Iran to implement an October 1, 2009, framework to send out most of its enriched uranium to France and Russia for reprocessing (for later medical use). Because Iran has not accepted the details of this framework, the United States, the other P5+1 countries, and other nations who believe that Iran needs to be further pressure are discussing further U.N. sanctions against Iran.

The Administration has been increasingly less vocal about engagement with Iran since late 2009. Instead, the Administration has taken certain administrative steps - for example by modifying regulations to allow U.S. Internet software to reach Iran - that appear to support a congressional trend to try to help the domestic opposition.

Even during the period when the Obama Administration was attempting to directly engage Iran, it did not ease any U.S. sanctions on Iran. President Obama renewed for another year the U.S. trade and investment ban on Iran (Executive Order 12959) in March 2009. Section 7043 of P.L. 111-8, the FY09 omnibus appropriation, (signed March 8, 2009) required, 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. That deadline was October 8, 2009. The effort might be covered by a preliminary Administration review of potential violations of ISA, discussed below, the results of which have not been released.

## The Iran Sanctions Act (ISA)

The Iran Sanctions Act (ISA) is one among many U.S. sanctions in place against Iran. It has attracted substantial attention because it authorizes penalties against foreign firms. Several bills pending in the 111<sup>th</sup> Congress propose amending the Act to curtail additional types of activity, such as selling gasoline and gasoline shipping services to Iran, or selling it equipment or services with which it could expand its own refining capacity. In the past, the parent countries of such firms, many of which are incorporated in Europe, have tended to object to sanctions such as ISA, even though European countries generally share the U.S. goal of ensuring that Iran does not become a nuclear power. American firms are restricted from trading with or investing in Iran under separate U.S. executive measures, as discussed below.

Originally called the Iran and Libya Sanctions Act (ILSA), ISA was enacted to complement other measures—particularly Executive Order 12959 of May 6, 1995, which 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, 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). The Iran and Libya Sanctions Act was signed on August 5, 1996 (P.L. 104-172).

### **Key Provisions/“Triggers” and Available Sanctions**

ISA consists of a number of “triggers”—transactions with Iran that would be considered violations of ISA and could cause a firm or entity to be sanctioned under 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,<sup>1</sup> or that sell to Iran weapons of mass destruction (WMD) technology or “destabilizing numbers and types” of advanced conventional weapons.<sup>2</sup> 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.

---

<sup>1</sup> 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. It is interpreted by the State Department to include pipelines to or through Iran, as well as upgrades or expansions of such energy related projects as refineries. 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 threshold dropped to \$20 million, from \$40 million, one year after enactment, when U.S. allies did not join a multilateral sanctions regime against Iran.

<sup>2</sup> This latter “trigger” was added by P.L. 109-293.

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.<sup>3</sup> 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.

Traditionally reticent to impose economic sanctions, the European Union opposed ISA as an extraterritorial application of U.S. law and filed a formal complaint before the World Trade Organization (WTO). In April 1997, the United States and the EU agreed to avoid a trade confrontation over ISA and a separate Cuba sanctions law, (P.L. 104-114). The agreement involved the dropping of the WTO complaint and the 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. That project was a \$2 billion<sup>4</sup> contract, signed in 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.<sup>5</sup>

In the 110<sup>th</sup> Congress, several bills contained 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.

---

<sup>3</sup> This latter termination requirement added by P.L. 109-293

<sup>4</sup> 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.

<sup>5</sup> Text of announcement of waiver decision by then Secretary of State Madeleine Albright, containing expectation of similar waivers in the future. [http://www.parstimes.com/law/albright\\_southpars.html](http://www.parstimes.com/law/albright_southpars.html)

## ISA Sunset

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. Currently, as discussed below, ISA is scheduled to sunset on December 31, 2011.

## 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" (signed September 30, 2006) amended ISA by (1) calling for, *but not requiring*, a 180-day time limit for a violation determination (there is no time limit in the original law); (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 (see above); 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 109<sup>th</sup> Congress (H.R. 282, S. 333) were viewed by the Bush Administration as too inflexible and restrictive, and potentially harmful to U.S. relations with its allies. 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; 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.

## Implementation, Effectiveness, and Ongoing Challenges

Since the Total/Petronas/Gazprom project in 1998, no projects have been determined as violations of ISA. Some of the projects listed in **Table 1**, and others, are under review by the State Department (Bureau of Economic Affairs), as discussed further below. No publication of such deals has been placed in the *Federal Register* (requirement of Section 5e of ISA). 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 have not specifically stated which foreign companies, if any, were being investigated for ISA violations.

As shown in **Table 1** below, several foreign investment agreements have been agreed with Iran since the 1998 Total consortium waiver, although some have been stalled, not reached final agreement, or not have resulted in actual production. 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. For example, 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, even if these agreements are implemented, these companies are perceived as not being as technically capable as those that have withdrawn from Iran.

## **Energy Routes and Refinery Investment**

ISA's definition of sanctionable "investment"—which specifies investment in Iran's petroleum resources, defined as petroleum and natural gas—has been interpreted by successive administrations to include construction of energy routes to or through Iran. 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 determination of sanctionability was issued 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. State Department testimony stated that Turkey would be importing gas originating in Turkmenistan, not Iran, under a swap arrangement. 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).

### *Iran-India Pipeline*

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. However, there has been no evident movement on the project since that time. 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.

### *European Gas Pipeline Routes*

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.

### *Iranian Refinery Construction*

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. Construction of oil refineries or petrochemical plants in Iran appear to constitute potentially sanctionable projects under ISA because such projects appear to meet ISA's definition of investment, which includes “responsibility for the development of petroleum resources located in Iran.” **Table 1** provides some information on openly announced contracts to upgrade or refurbish Iranian oil refineries.

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 “investment” under ISA.

### *Significant Iranian Energy Purchase and Sale 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. 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.

### **Effectiveness of ISA**

U.S. administrations have maintained that, even without actually imposing ISA sanctions, the threat of imposing sanctions—coupled with Iran's reputedly difficult negotiating behavior, and compounded by Iran's growing isolation because of its nuclear program—have combined to slow the development of Iran's energy sector. 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.

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.

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 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.<sup>6</sup> 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.

In the 110<sup>th</sup> Congress, several bills—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.

### Congressional Efforts to Expand ISA Application to Gas Sales

Iran, as noted, is dependent on gasoline imports. Such sales to Iran are not currently banned by any U.N. Security Council resolutions, although such sales have become subject to some U.S. sanctions, as discussed below. Legislation awaiting conference action is intended to impose even stiffer potential penalties on firms that sell gasoline to Iran.

There appears to be a relatively limited group of major gasoline suppliers to Iran. In March 2010, several of them announced that they have stopped or would stop supplying gasoline to Iran.<sup>7</sup> As noted in a *New York Times* report of March 7, 2010,<sup>8</sup> some firms that have supplied Iran have received U.S. credit guarantees or contracts. The main suppliers to Iran are, according to a variety of sources:

- Vitof of Switzerland (which said in March 2010 it has stopped sales of gasoline to Iran).
- Trafigura of Switzerland (which also says it has stopped sales)
- Glencore of Switzerland
- Total of France
- Reliance Industries of India

---

<sup>6</sup> 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.

<sup>7</sup> Information in this section derived from, Blas, Javier. “Traders Cut Iran Petrol Line.” *Financial Times*, March 8, 2010.

<sup>8</sup> Becker, Jo and Ron Nixon. “U.S. Enriches Companies Defying Its Policy on Iran.” *New York Times*, March 7, 2010.

- Petronas of Malaysia
- Lukoil of Russia
- Royal Dutch Shell of the Netherlands (which says it stopped sales to Iran in 2009).
- British Petroleum of United Kingdom (told CRS in e-mail conversation in late 2009 that it is not selling gasoline to Iran).
- ZhenHua Oil of China (China's firms reportedly supply one-third of Iran's gasoline imports)<sup>9</sup>
- Petroleos de Venezuela (reportedly reached a September 2009 deal to supply Iran with gasoline).

The cessation of supplies to Iran by the three large suppliers Vitol, Glencore, and Trafigura, could affect Iran because they jointly supplied half of Iran's imports of about 130,000 barrels per day worth of gasoline. Some accounts say refineries in Bahrain, Kuwait, and UAE may have picked up some of the shortfall, in addition to the other suppliers listed above.

### **Legislation in the 111<sup>th</sup> Congress: Targeting Gasoline Sales**

A number of ideas to expand ISA's application, similar to those that surfaced in the 110<sup>th</sup> Congress, have been introduced in the 111<sup>th</sup> Congress. In the 110<sup>th</sup> 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.

The major bills in the 111<sup>th</sup> 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. However, using U.S. funds to fill the Strategic Petroleum Reserve with products from firms that sell over \$1 million worth of gasoline to Iran is prevented by the FY2010 Energy and Water Appropriation (H.R. 3183, P.L. 111-85, signed October 28, 2009).

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. This provision was incorporated into the FY2010 consolidated appropriation (P.L. 111-117).

In the past, some threats to cut off U.S. credits have deterred sales to Iran. In early 2009, apparently concerned by growing congressional sentiment for such provisions, 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

---

<sup>9</sup> Blas, Javier, Carola Hoyas, and Daniel Dombey. "Chinese Companies Supply Iran With Petrol." *Financial Times*, September 23, 2009.

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 may continue to make such sales to Iran, although at a lower level than previously.

### ***Iran Refined Petroleum Sanctions Act (IRPSA) and Related Legislation***

In April 2009, several bills were introduced—H.R. 2194, S. 908, H.R. 1208, and H.R. 1985—that would amend ISA to 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 sales are not violations of the existing provisions of ISA. H.R. 2194 and S. 908 were both titled the Iran Refined Petroleum Sanctions Act of 2009 (IRPSA). Of these, H.R. 2194 has passed the House (December 15, 2009 by a vote of 412-12, with four others voting “present” and six others not voting. The opposing and “present” votes included several Members who have opposed several post-September 11 U.S. military operations in the Middle East/South Asia region.) Its main provisions are the following:

- Requiring imposition of three new sanctions (other than those in the existing ISA menu) on firms that sell the threshold amount of gasoline to Iran (over \$200,000 in value or \$500,000 combined in one year), or, provide services related to such sales. These related services include providing the ships or vehicles to transport the gasoline, providing insurance or re-insurance for this transportation, or providing financing for the shipments.
- New mandatory sanctions 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.
- Requiring that no executive agency of the U.S. government contract with firms that cannot certify that they are not supplying gasoline or refinery equipment to Iran (over \$200,000 in value).

H.R. 1208 contained numerous other provisions that were in several of the bills mentioned above in the 110<sup>th</sup> 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).

### ***Senate Comprehensive Sanctions Bill (S. 2799)***

A bill that included IRPSA provisions but went much further, the “Dodd-Shelby Comprehensive Iran Sanctions, Accountability, and Divestment Act,” (S. 2799), was reported to the full Senate by the Senate Banking Committee on November 19, 2009. It passed the Senate, by voice vote, on January 28, 2010. It was adopted by the Senate under unanimous consent as a substitute amendment to H.R. 2194 on March 11, 2010, setting up conference action on the two versions of H.R. 2194. Its main differences with the House version of H.R. 2194 are:

- It sets an aggregate sales total trigger of \$1 million, double the House's version.
- It would restore the restrictions on imports from Iran that were lifted in 2000 (a provision introduced several times in other legislation in the past few years).

- It would require the U.S. freezing of assets of any Iranians (including Revolutionary Guard Corps officers) who are involved in proliferation activity or furthering of acts of international terrorism.
- It would apply the U.S. trade ban to foreign subsidiaries of U.S. firms (see below for information on foreign subsidiaries. This is another provision introduced several times in the past few years).
- Building on a trend in Congress to support the Iranian opposition's ability to avoid censorship, it would ban U.S. government contracts with firms which sell Iran equipment that can be used to censor or monitor internet usage in Iran.
- It would protect investment managers who divest from firms that are violating the other provisions of the bill.
- It would authorize a new licensing requirement for exports to countries designated, under the bill, as "Destinations of Possible Diversion Concern" and which fail to cooperate to strengthen their export control systems thereafter. Such a provision is targeted at such countries as UAE, Malaysia, and others that have been widely cited in press reports as failing to block exports or re-exports of sensitive technologies to Iran and other countries.

Some U.S. officials were said to be concerned by the passage of S. 2799 on the grounds that the legislation might weaken allied unity on Iran at a crucial time in considering new international sanctions on Iran. To assuage U.S. allies, the Administration reportedly wants any unified bill to automatically exempt from sanctions firms of countries that are cooperating against the Iranian nuclear program. This would include firms of China, which is a key player in negotiations on a new U.N. sanctions resolution on Iran. The outcome of House-Senate efforts to reconcile the two versions is difficult to predict, but congressional sentiment to sanction Iran appears to be substantial and conference action is believed by many observers as likely to achieve a consensus on a final bill.

### *Likely Effects of the Iran Refined Petroleum Sanctions Act*

Those supporting the House or Senate bills discussed above 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. Iran's dependence on gasoline imports could, 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 along these lines. 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 and rebuild his popularity.<sup>10</sup>

---

<sup>10</sup> Askari, Hossein and Trita Parsi. "Throwing Ahmadinejad a Lifeline." *New York Times* op-ed. August 15, 2009.

## **Administration Review of Potential ISA Violations<sup>11</sup>**

Several Members of Congress have, in recent years, questioned why there have been no penalties imposed for violations of ISA. In 2008, possibly sensing some congressional unrest over this fact, Under Secretary 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. Statoil is incorporated in Norway, which is not an EU member and which would therefore not fall under the 1998 U.S.-EU agreement discussed above. Burns did not mention any of the other projects, and no other specific projects have been named since. Nor was there a formal State Department determination on Statoil subsequently.

Possibly in response to the new legislative initiatives in the 111<sup>th</sup> Congress, and to an October 2009 letter signed by 50 Members of Congress referencing the CRS table below, Assistant Secretary of State for Near Eastern Affairs Jeffrey Feltman testified before the House Foreign Affairs Committee on October 28, 2009, that the Obama Administration would review investments in Iran for violations of ISA. Feltman testified that the preliminary review would be completed within 45 days (by December 11) to determine which projects, if any, require further investigation. Feltman testified that some announced projects were for political purposes and did not result in actual investment. State Department officials told CRS in November 2009 that projects involving Iran and Venezuela appeared to fall into the category of symbolic announcement rather than actual implemented projects.

On February 25, 2010, Secretary of State Clinton testified before the House Foreign Affairs Committee that the State Department's preliminary review was completed in early February and that some of the cases reviewed "deserve[] more consideration" and were undergoing additional scrutiny. The preliminary review, according to the testimony, was conducted, in part, through State Department officials' contacts with their counterpart officials abroad and corporation officials. The additional investigations of problematic investments will involve the intelligence community, according to Secretary Clinton. State Department officials told CRS in November 2009 that any projects that the State Department plan is to complete the additional investigation and determine violations within 180 days of the completion of the preliminary review. (The 180 day time frame is, according to the Department officials, consistent with the Iran Freedom Support Act amendments to ISA discussed above).

In part because the preliminary review was not completed by mid-December 2009, as was expected, Representative Mark Kirk and Representative Ron Klein circulated a "Dear Colleague" letter requesting support for "The Iran Sanctions Enhancement Act" providing for a monthly GAO report on potential ISA violators, and completion of an investigation of potential violations within 45 days of any GAO identification of possible violations.

---

<sup>11</sup> Much of this section is derived from a meeting between the CRS author and officials of the State Department's Economics Bureau, which is tasked with the referenced review of investment projects. November 24, 2009.

**Table I. Post-1999 Major Investments/Major Development Projects in Iran's Energy Sector**

Date	Field/Project	Company(ies)/Status (If Known)	Value	Output/Goal
Feb. 1999	<b>Doroud (oil)</b> (Energy Information Agency, Department of Energy, August 2006.)	Totalfina Elf (France)/ENI (Italy)	\$1 billion	205,000 bpd
Apr. 1999	<b>Balal (oil)</b> ("Balal Field Development in Iran Completed," <i>World Market Research Centre</i> , May 17, 2004.)	Totalfina Elf/ Bow Valley (Canada)/ENI	\$300 million	40,000 bpd
Nov. 1999	<b>Soroush and Nowruz (oil)</b> ("News in Brief: Iran." <i>Middle East Economic Digest</i> , (MEED) January 24, 2003.)	Royal Dutch Shell (Netherlands)/Japex (Japan)	\$800 million	190,000 bpd
Apr. 2000	<b>Anaran (oil)</b> (MEED Special Report, December 16, 2005, pp. 48-50.)	Norsk Hydro (Norway)/Lukoil (Russia)	\$100 million	100,000 (by 2010)
July 2000	<b>Phase 4 and 5, South Pars (gas)</b> ( <i>Petroleum Economist</i> , December 1, 2004.)	ENI Gas onstream as of Dec. 2004	\$1.9 billion	2 billion cu.ft./day (cfd)
Mar. 2001	<b>Caspian Sea oil exploration</b> – construction of submersible drilling rig for Iranian partner (IPR Strategic Business Information Database, March 11, 2001.)	GVA Consultants (Sweden)	\$225 million	NA
June 2001	<b>Darkhovin (oil)</b> ("Darkhovin Production Doubles." <i>Gulf Daily News</i> , May 1, 2008.)	ENI Field in production	\$1 billion	100,000 bpd
May 2002	<b>Masjid-e-Soleyman (oil)</b> ("CNPC Gains Upstream Foothold." MEED, September 3, 2004.)	Sheer Energy (Canada)/China National Petroleum Company (CNPC). Local partner is Naftgaran Engineering	\$80 million	25,000 bpd
Sep. 2002	<b>Phase 9 + 10, South Pars (gas)</b> ("OIEC Surpasses South Korean Company in South Pars." IPR Strategic Business Information Database, November 15, 2004.)	LG (South Korea) On stream as of early 2009	\$1.6 billion	2 billion cfd
Oct. 2002	<b>Phase 6, 7, 8, South Pars (gas)</b> ( <i>Petroleum Economist</i> , March 1, 2006.)	Statoil (Norway) began producing late 2008	\$2.65 billion	3 billion cfd
Jan. 2004	<b>Azadegan (oil)</b> ("Japan Mulls Azadegan Options." <i>APS Review Oil Market Trends</i> , November 27, 2006.)	Inpex (Japan) 10% stake. CNPC. agreed to develop "north Azadegan" in Jan. 2009	\$200 million (Inpex stake); China \$1.76 billion	260,000 bpd
Aug. 2004	<b>Tusan Block</b> ("Iran-Petrobras Operations." <i>APS Review Gas Market Trends</i> , April 6, 2009; "Brazil's Petrobras Sees Few Prospects for Iran Oil." <a href="http://www.reuters.com/article/idUSN0317110720090703">http://www.reuters.com/article/idUSN0317110720090703</a>	Petrobras (Brazil) Oil found in block in Feb. 2009, but not in commercial quantity, according to the firm	\$100 million	?

Date	Field/Project	Company(ies)/Status (If Known)	Value	Output/Goal
Oct. 2004	<b>Yadavaran (oil)</b> ("Iran, China's Sinopec Ink Yadavaran Oilfield Development Contract." Payvand's Iran News, December 9, 2009.)	Sinopec (China), deal finalized December 9, 2007	\$2 billion	300,000 bpd
June 2006	<b>Garmsar block (oil)</b> Deal finalized in June 2009 ("China's Sinopec signs a deal to develop oil block in Iran - report", Forbes, 20 June 2009, <a href="http://www.forbes.com/feeds/afx/2006/06/20/afx2829188.html">http://www.forbes.com/feeds/afx/2006/06/20/afx2829188.html</a> .)	Sinopec (China)	\$20 million	?
July 2006	<b>Arak Refinery expansion</b> (Fimco FZE Machinery Website; <a href="http://www.fimco.org/index.php?option=com_content&amp;task=view&amp;id=70&amp;Itemid=78">http://www.fimco.org/index.php?option=com_content&amp;task=view&amp;id=70&amp;Itemid=78</a> .)	Sinopec (China)	\$959 million	
Sept. 2006	<b>Khorramabad block (oil)</b> (PR Strategic Business Information Database, September 18, 2006)	Norsk Hydro (Norway)	\$49 million	?
Mar. 07	<b>Esfahan refinery upgrade</b> ("Daelim, Others to Upgrade Iran's Esfahan Refinery." <i>Chemical News and Intelligence</i> , March 19, 2007.)	Daelim (S. Korea)		NA
Dec. 2007	<b>Golshan and Ferdows onshore and offshore gas fields and LNG plant</b> contract modified but reaffirmed December 2008 (Oil Daily, January 14, 2008.)	SKS Ventures (Malaysia)	\$16 billion	3.4 billion cfd
Jan. 2009	<b>"North Azadegan"</b> (Chinadaily.com. "CNPC to Develop Azadegan Oilfield" <a href="http://www.chinadaily.com.cn/bizchina/2009-01/16/content_7403699.htm">http://www.chinadaily.com.cn/bizchina/2009-01/16/content_7403699.htm</a> )	CNPC (China)	\$1.75 billion	75,000 bpd
Nov. 2009	<b>South Pars: Phase 12 – Part 2 and Part 3</b> ("Italy, South Korea To Develop South Pars Phase 12." Press TV (Iran). November 3, 2009. <a href="http://www.presstv.com/pop/Print?id=110308">http://www.presstv.com/pop/Print?id=110308</a> .)	Daelim (S. Korea) – Part 2; Tecnimont (Italy) – Part 3	\$4 billion (\$2 bn each part)	
Feb. 2010	<b>South Pars: Phase 11</b> Drilling to Begin in March 2010 ("CNPC in Gas Deal, Beefs Up Tehran Team – Source." Reuters India, February 10, 2010. <a href="http://in.reuters.com/articlePrint?articleId=INTOE61909U20100210">http://in.reuters.com/articlePrint?articleId=INTOE61909U20100210</a> .)	CNPC (China)	\$4.7 billion	
<b>Totals:</b>				
<b>\$41 billion investment</b>				
<b>Other Pending/Preliminary Deals</b>				
North Pars Gas Field (offshore gas). Includes gas purchases (Dec. 2006)		China National Offshore Oil Co.	\$16 billion	3.6 billion cfd
Phase 13, 14 - South Pars (gas); (Feb. 2007). Deal cancelled in May 2008		Royal Dutch Shell, Repsol (Spain)	\$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.		Turkish Petroleum Company (TPAO)	\$12. billion	2 billion cfd
Iran's Kish gas field (April 2008)		Oman	\$7 billion	1 billion cfd

Date	Field/Project	Company(ies)/Status (If Known)	Value	Output/Goal
	Phase 12 South Pars (gas) – part I. Incl. LNG terminal construction (March 2009)	China-led consortium; project originally subscribed in May 2007 by OMV (Austria)	\$3.2 billion	20 million tonnes of LNG annually by 2012
	South Pars gas field (September 2009)	Petroleos de Venezuela S.A.; 10% stake in venture	\$760 million	
	Abadan refinery upgrade and expansion; building a new refinery at Hormuz on the Persian Gulf coast (August 2009)	Sinopec	\$up to 6 billion if new refinery is built	

**Sources:** As noted in table, a wide variety of other press announcements and sources, CRS conversations with officials of the State Department Bureau of Economics (November 2009), CRS conversations with officials of embassies of the parent government of some of the listed companies (2005-2009).

**Note:** CRS has neither the authority nor the means to determine which of these projects, if any, might constitute a violation of the Iran Sanctions Act. 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. In virtually all cases, such investments and contracts represent private agreements between Iran and its instruments and the investing firms, and firms are not necessarily required to confirm or publicly release the terms of their arrangements with Iran. \$20 million+ investments in oil and gas fields, refinery upgrades, and major project leadership are included in this table. Responsibility for a project to develop Iran's energy sector is part of ISA investment definition.

## 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.

### 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.<sup>12</sup> 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

<sup>12</sup> The Executive Order was issued under the authority of: 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.; Section 505 of the International Security and Development Cooperation Act of 1985 (22 U.S.C. 2349aa-9) and Section 301 of Title 3, United States Code. 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.

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 111<sup>th</sup> 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.
- 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 110<sup>th</sup> 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. The March 7, 2010 *New York Times* article, cited above, discusses some subsidiaries of U.S. firms that have been active in Iran and which have received U.S. government contracts, grants, loans, or loan guarantees. The U.S. ban on trade and investment does not apply to foreign firms. Neither is foreign trade with Iran in purely civilian goods banned by any U.N. resolution. Some of those foreign firms, such as Mitsui

and Co. of Japan; Mitsui of Japan, ABB Ltd of Switzerland, Alstom of France, and Schneider Electric of France, are discussed in the March 7, 2010 *New York Times* article cited earlier. The *Times* article does not claim that these firms have violated any U.S. sanctions laws, although the *Times* article reports that these firms have received U.S. government contracts or financing.

Among major foreign subsidiaries of U.S. firms 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)<sup>13</sup>—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 gas services, and medical diagnostic projects through Italian, Canadian, and French subsidiaries.
- Foreign subsidiaries of several other U.S. energy equipment firms have been and may still be in the Iranian market, according to their “10-K” filings with the Securities and Exchange Commission. These include Natco Group,<sup>14</sup> Overseas Shipholding Group,<sup>15</sup> UOP (a Honeywell subsidiary),<sup>16</sup> Itron<sup>17</sup>, Fluor,<sup>18</sup> Flowserve,<sup>19</sup> Parker Drilling, Vantage Energy Services,<sup>20</sup> Weatherford,<sup>21</sup> and a few others. However, in March 2010, a Ingersoll Rand, maker of air compressors and cooling systems, said it would no longer allow its subsidiaries to do business in Iran.<sup>22</sup> On March 1, 2010, Caterpillar Corp. said it had altered its policies to prevent foreign subsidiaries from selling equipment to independent dealers that have been reselling the equipment to Iran.<sup>23</sup>

<sup>13</sup> “Iran Says Halliburton Won Drilling Contract.” *Washington Times*, January 11, 2005.

<sup>14</sup> Form 10-K Filed for fiscal year ended December 31, 2008.

<sup>15</sup> 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.

<sup>16</sup> *New York Times*, March 7, 2010, cited previously.

<sup>17</sup> Subsidiaries of the Registrant at December 31, 2009. [http://www.sec.gov/Archives/edgar/data/780571/000078057110000007/ex\\_21-1.htm](http://www.sec.gov/Archives/edgar/data/780571/000078057110000007/ex_21-1.htm)

<sup>18</sup> “Exhibit to 10-K Filed February 25, 2009.” Officials of Fluor claim that their only dealings with Iran involve property in Iran owned by a Fluor subsidiary, which the subsidiary has been unable to dispose of. CRS conversation with Fluor, December 2009.

<sup>19</sup> Form 10-K for Fiscal year ended December 31, 2009.

<sup>20</sup> Form 10-K for Fiscal year ended December 31, 2007.

<sup>21</sup> Form 10-K for Fiscal year ended December 31, 2008, claims firm directed its subsidiaries to cease new business in Iran and Cuba, Syria, and Sudan as of September 2007.

<sup>22</sup> Nixon, Ron. “2 Corporations Say Business With Tehran Will Be Curbed.” *New York Times*, March 11, 2010.

<sup>23</sup> “Caterpillar Says Tightens ‘No-Iran’ Business Policy.” *Reuters*, March 1, 2010.

- 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 110<sup>th</sup> 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 111<sup>th</sup> Congress, H.R. 1208 and the Senate-passed “Dodd Shelby Comprehensive Iran Sanctions, Accountability, and Divestment Act,” (S. 2799) contain a similar provision.

## Treasury Department “Targeted Financial Measures”

Various “targeted financial measures” have been undertaken by the Treasury Department, particularly the office of Under Secretary of the Treasury Stuart Levey (who has remained in the Obama Administration). Since 2006, strengthened by leverage provided in five U.N. Security Council Resolutions, Levey and other officials have been able to convince numerous 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”<sup>24</sup> with regard to targeting Iran’s proliferation networks. The actions have, according to the International Monetary Fund, partly dried up financing for energy industry and other projects in Iran.

In the first major summation of the effort, 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 (Switzerland), HSBC (Britain), Germany’s Commerzbank A.G. and Deutsche Bank AG. U.S. financial diplomacy has reportedly convinced Kuwaiti banks to stop transactions with Iranian accounts,<sup>25</sup> 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 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 the biggest such instance, on December 16, 2009, the Treasury Department announced that Credit Suisse would pay a \$536 million settlement to the United States for illicitly processing Iranian transactions with U.S. banks. Credit Suisse, according to the Treasury Department, saw business opportunity by picking up the transactions business from a competitor who had, in accordance with U.S. regulations

<sup>24</sup> Hearing of the Financial Services and General Government Subcommittee of the House Appropriations Committee, *Federal News Service*, May 21, 2009.

<sup>25</sup> Mufson, Steven and Robin Wright. “Iran Adapts to Economic Pressure.” *Washington Post*, October 29, 2007.

discussed below, ceased processing dollar transactions for Iranian banks. Credit Suisse also pledged to cease doing business with Iran.

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.<sup>26</sup> 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. Several 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 110<sup>th</sup> Congress, and a counterpart passed by the House on September 26, 2008 (H.R. 7112), called for this sanction. S. 2799, the “Dodd-Shelby” bill, referenced above, in the 111<sup>th</sup> Congress has a similar provision. 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.

However, Treasury Department officials say that some of these efforts have gone as far as possible and, in concert with statements by Secretary of State Clinton and other officials in early 2010, Treasury officials are attempting to target the Revolutionary Guard and its corporate arms and suppliers. Four Guard-related Iranian firms, and one Guard official affiliated with the Guard’s corporate activities, were designated by the Treasury Dept. as proliferation entities (see that sections later) under Executive Order 13382.

## **Terrorism List Designation-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.

---

<sup>26</sup> Kessler, Glenn. “U.S. Moves to Isolate Iranian Banks.” *Washington Post*, September 9, 2006.

- The terrorism list designation restricts sales of U.S. dual use items (Export Administration Act, as continued through presidential authorities under the International Emergency Economic Powers Act, IEEPA, as implemented by executive orders), and, under other laws, bans direct U.S. financial assistance (Section 620A of the Foreign Assistance Act, FAA) and arms sales (Section 40 of the Arms Export Control Act), and requires the United States to vote to oppose multilateral lending to the designated countries (Section 327 of the 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 (Sections 325 and 326) 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.

In the Bam case, there was also a temporary exemption made in the regulations to allow for donations to Iran of humanitarian goods by American citizens and organizations. Those exemptions were extended several times but expired in March 2004.

### **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. This order, issued two weeks after the September 11 attacks, was intended to primarily target Al Qaeda-related entities. However, it has increasingly been applied to Iranian entities. Such Iran-related entities named and sanctioned under this order are in **Table 2** at the end of this report. **Table 2** includes the names of Iranian entities sanctioned under other orders and under United Nations resolutions pertaining to Iran's nuclear program.

## Proliferation-Related Sanctions

Iran is prevented from receiving advanced technology from the United States under relevant and Iran-specific anti-proliferation laws<sup>27</sup> and by Executive Order 13382 (June 28, 2005).

### Iran-Iraq Arms Nonproliferation Act

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-Iraq Act (Section 1603) also provides for a “presumption of denial” for all dual use exports to Iran (which would include computer software). A waiver to permit such exports, on a case-by-case basis, is provided for.

### Iran-Syria-North Korea Nonproliferation Act

The Iran Nonproliferation Act (P.L. 106-178), now called the Iran-Syria-North Korea Non-Proliferation Act) authorizes sanctions on foreign *persons* (individuals or corporations, not countries or governments) that are determined by the Administration to have assisted 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 control had not transferred any WMD or missile technology to Iran within the year prior.<sup>28</sup> (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

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.

### Foreign Aid Restrictions for Suppliers of Iran

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.

---

<sup>27</sup> Such laws include the Atomic Energy Act of 1954 and the Energy Policy Act of 2005 (P.L. 109-58).

<sup>28</sup> 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 109<sup>th</sup> 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.

## Implementation

The George W. Bush Administration decided to impose sanctions for violations of the executive orders and laws discussed above, and it sanctioned numerous entities as discussed below. The Obama Administration has continued to sanction entities under these provisions. Iranian entities designated under these laws and orders are listed in **Table 2** at the end of this report, including the four Revolutionary Guard-affiliated firms designated under E.O. 13382 in February 2010.

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.<sup>29</sup>

## 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. Iranian entities and persons sanctioned by the United Nations are included in **Table 2** at the end of this paper.

As noted above, talks resumed on October 1, 2009, and were viewed as productive. However, Iran’s refusal to agree to implementing terms by the end of 2009 has prompted renewed discussions between the United States and its partners about new international sanctions. Some P5+1 ideas reportedly under discussion include: adding many more Revolutionary Guard officials and affiliated firms to those under sanction; adding banks, possibly including Iran’s Central Bank, to the list of those recommended to be cut off from the international banking system; banning insurance or reinsurance to carry gasoline products to Iran; and banning arms sales to Iran. These sanctions would continue a trend in the United States, in which the Administration is focusing on sanctioning the Revolutionary Guard and other security organs that are suppressing the Iranian protesters. Still, China has expressed opposition to new sanctions against Iran because diplomacy with Iran is ongoing, although there are reports that U.S. officials might be satisfied if China abstained and did not exercise a veto of a Council resolution.

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

---

<sup>29</sup> 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.

---

## **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**

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).<sup>30</sup> The concept of these sanctions is to express the view of Western and other democracies that Iran is an outcast internationally.

Legislation in the 110<sup>th</sup> 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.

In the 111<sup>th</sup> Congress, H.R. 1327 (Iran Sanctions Enabling Act), a bill similar to H.R. 2347 of the 110<sup>th</sup> Congress, was reported by the Financial Services Committee on April 28, 2009. It passed the House on October 14, 2009, by a vote of 414-6. A similar bill, S. 1065, has been introduced in the Senate. Some provisions along these lines are contained in the Senate version of H.R. 2194 (S. 2799).

## **Sanctions and Other Proposals to Support Iran's Democratic Opposition**

A major trend in the 111<sup>th</sup> Congress, after the Iran election dispute, has been efforts to promote the prospects for the domestic opposition in Iran. Proposals to target the Revolutionary Guard for sanctions represent the trend toward measures that undermine the legitimacy of Iran's regime and express support for the growing domestic opposition in Iran. The Revolutionary Guard is

---

<sup>30</sup> For information on the steps taken by individual states, see National Conference of State Legislatures. State Divestment Legislation.

involved in Iran's WMD programs but it is also the key instrument through which the regime is trying to suppress the pro-democracy protest.

Some Members have focused on expanding Internet freedom in Iran or preventing the Iranian government from using the Internet to identify opponents. Subtitle D of the FY2010 Defense Authorization (P.L. 111-84), called the "Voice Act," contains several provisions to increase U.S. broadcasting to Iran and to identify (in a report to be submitted 180 days after enactment, or April 25, 2009) companies that are selling Iran technology equipment that it can use to suppress or monitor the internet usage of Iranians. S. 1475 and H.R. 3284, the "Reduce Iranian Cyber-Suppression Act," would authorize the President to ban U.S. government 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.<sup>31</sup> Perhaps to avoid further embarrassment, Siemens announced on January 27, 2010, that it would stop signing new business deals in Iran as of mid-2010.<sup>32</sup> Some question whether such a sanction might reduce allied cooperation with the United States if allied companies are so sanctioned. Some provisions along these lines are contained in the Senate version of H.R. 2194 (S. 2799).

Also in line with this trend, on March 8, 2010, OFAC amended the Iran Transactions Regulations to amend U.S. regulations of the trade ban to provide for a general license for providing to Iranians free mass market software in order to facilitate internet communications. The ruling appears to incorporate the major features of a legislative proposal, H.R. 4301, the "Iran Digital Empowerment Act." The OFAC determination required a waiver of the provision of the Iran-Iraq Arms Nonproliferation Act (Section 1606 waiver provision) discussed above.

A subtitle of the FY2010 National Defense Authorization Act (Section 1241 of P.L. 111-84), called the "VOICE Act" (Victims of Iranian Censorship Act) authorizes expanded U.S. broadcasting into Iran and requires an Administration report (within 180 days, or March 27, 2010) on foreign companies from selling technology that Iran can use to censor or monitor the Internet. It also authorizes funds to document Iranian human rights abuses since the June 12, 2009 presidential election. Another provision of P.L. 111-84 (Section 1241) requires an Administration report, not later than January 31, 2010, on U.S. enforcement of sanctions against Iran, and the effect of those sanctions on Iran.

## **Measures to Sanction Human Rights Abuses and Promote the Opposition**

Another reflection of this trend have been efforts to sanction regime officials involved in suppressing the domestic opposition in Iran. Senator John McCain proposed to offer amendments to S. 2799 during Senate consideration of the bill. These amendments would have focused on Iran's human rights abuses and suppression of protests. Due to procedural issues, the amendments were not offered and S. 2799 was passed by voice vote. However, he subsequently introduced S. 3022, the "Iran Human Rights Sanctions Act," which would authorize financial sanctions and a ban on U.S. visas for Iranian officials determined to have committed human rights abuses against Iranian citizens. A companion measure in the House is H.R. 4649.

---

<sup>31</sup> Rhoads, Christopher. "Iran's Web Spying Aided by Western Technology." *Wall Street Journal*, June 22, 2009.

<sup>32</sup> End, Aurelia. "Siemens Quits Iran Amid Mounting Diplomatic Tensions." *Agence France Press*, January 27, 2010.

Another bill, introduced by Senator Cornyn and Senator Brownback, (S. 3008) the “Iran Democratic Transition Act,” calls for a forthright declaration that it is the policy of the United States to support efforts by the Iranian people to remove the regime from power. It calls for the use of U.S. broadcasting and humanitarian funds to help democratic organizations in Iran.

## 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.<sup>33</sup>

**Table 2. 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)
Defense Industries Organization (DIO)	Lt. Gen. Mohammad Mehdi Nejad Nouri (Malak Ashtar University of Defence Technology rector)
7 <sup>th</sup> of Tir (DIO subordinate)	Bahmanyar Morteza Bahmanyar (AIO official)
Shahid Hemmat Industrial Group (SHIG)—missile program	Reza Gholi Esmaeli (AIO official)
Shahid Bagheri Industrial Group (SBIG) - missile program	Ahmad Vahid Dastjerdi (head of Aerospace Industries Org., AIO)
Fajr Industrial Group (missile program)	Maj. Gen. Yahya Rahim Safavi (Commander in Chief, IRGC)
Mohammad Qanadi, AEIO Vice President	
Behman Asgarpour (Arak manager)	
Ehsan Monajemi (Natanz construction manager)	
Jafar Mohammadi (Adviser to AEIO)	

<sup>33</sup> See CRS Report RL31258, *Suits Against Terrorist States by Victims of Terrorism*, by Jennifer K. Elsea.

<b>Entities/Persons Added by Resolution 1747</b>	
<p>Ammunition and Metallurgy Industries Group (controls 7<sup>th</sup> of Tir)</p> <p>Parchin Chemical Industries (branch of DIO)</p> <p>Karaj Nuclear Research Center</p> <p>Novin Energy Company</p> <p>Cruise Missile Industry Group</p> <p>Sanam Industrial Group (subordinate to AIO)</p> <p>Ya Mahdi Industries Group</p> <p>Kavoshyar Company (subsidiary of AEIO)</p> <p>Sho'a Aviation (produces IRGC light aircraft for asymmetric warfare)</p> <p>Bank Sepah (funds AIO and subordinate entities)</p> <p>Esfahan Nuclear Fuel Research and Production Center and Esfahan Nuclear Technology Center</p> <p>Qods Aeronautics Industries (produces UAV's, para-gliders for IRGC asymmetric warfare)</p> <p>Pars Aviation Services Company (maintains IRGC Air Force equipment)</p> <p>Gen. Mohammad Baqr Zolqadr (IRGC officer serving as deputy Interior Minister)</p> <p>Brig. Gen. Qasem Soleimani (Qods Force commander)</p>	<p>Fereidoun Abbasi-Davani (senior defense scientist)</p> <p>Mohasen Fakrizadeh-Mahabai (defense scientist)</p> <p>Seyed Jaber Safdari (Natanz manager)</p> <p>Mohsen Hojati (head of Fajr Industrial Group)</p> <p>Ahmad Derakshandeh (head of Bank Sepah)</p> <p>Brig. Gen. Mohammad Reza Zahedi (IRGC ground forces commander)</p> <p>Amir Rahimi (head of Esfahan nuclear facilities)</p> <p>Mehrdada Akhlaghi Ketabachi (head of SBIG)</p> <p>Naser Maleki (head of SHIG)</p> <p>Brig. Gen. Morteza Reza'i (Deputy commander-in-chief, IRGC)</p> <p>Vice Admiral Ali Akbar Ahmadiyan (chief of IRGC Joint Staff)</p> <p>Brig. Gen. Mohammad Hejazi (Basij commander)</p>
<b>Entities Added by Resolution 1803</b>	
<p>Thirteen Iranians named in Annex I to Resolution 1803; all reputedly involved in various aspects of nuclear program</p> <p>Electro Sanam Co.</p> <p>Abzar Boresh Kaveh Co. (centrifuge production)</p> <p>Barzaganin Tejaral Tavanmad Saccal</p> <p>Jabber Ibn Hayan</p> <p>Khorasan Metallurgy Industries</p> <p>Niru Battery Manufacturing Co. (Makes batteries for Iranian military and missile systems)</p> <p>Safety Equipment Procurement (AIO front, involved in missiles)</p>	<p>Ettehad Technical Group (AIO front co.)</p> <p>Industrial Factories of Precision</p> <p>Joza Industrial Co.</p> <p>Pshgam (Pioneer) Energy Industries</p> <p>Tamas Co. (involved in uranium enrichment)</p>

<b>Entities Designated Under U.S. Executive Order 13382 (many designations coincident with designations under U.N. resolutions)</b>	
<b>Entity</b>	<b>Date Named</b>
Shahid Hemmat Industrial Group (Iran)	June 2005, September 2007
Shahid Bakeri Industrial Group (Iran)	June 2005, February 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)	September 2007
Korea Mining and Development Corp. (N. Korea)	September 2007
Islamic Revolutionary Guard Corps (IRGC)	October 21, 2007
Ministry of Defense and Armed Forces Logistics	October 21, 2007
Bank Melli (Iran's largest bank, widely used by Guard); Bank Melli Iran Zao (Moscow); Melli Bank PC (U.K.)	October 21, 2007
Bank Kargoshaee	October 21, 2007
Arian Bank (joint venture between Melli and Bank Saderat). Based in Afghanistan	October 21, 2007
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, 2007
Persia International Bank PLC (U.K.)	October 21, 2007
Khatam ol Anbiya Gharargah Sazendegi Nooh (main IRGC construction and contracting arm, with \$7 billion in oil, gas deals)	October 21, 2007
Oriental Oil Kish (Iranian oil exploration firm)	October 21, 2007
Ghorb Karbala; Ghorb Nooh (synonymous with Khatam ol Anbiya)	October 21, 2007
Sepasad Engineering Company (Guard construction affiliate)	October 21, 2007
Omran Sahel (Guard construction affiliate)	October 21, 2007
Sahel Consultant Engineering (Guard construction affiliate)	October 21, 2007

Hara Company	October 21, 2007
Gharargahe Sazandegi Ghaem	October 21, 2007
Bahmanyar Morteza Bahmanyar (AIO, Iran missile official, see above under Resolution 1737)	October 21, 2007
Ahmad Vahid Dastjerdi (AIO head, Iran missile program)	October 21, 2007
Reza Gholi Esmaeli (AIO, see under Resolution 1737)	October 21, 2007
Morteza Reza'i (deputy commander, IRGC) See also Resolution 1747	October 21, 2007
Mohammad Hejazi (Basij commander). Also, Resolution 1747	October 21, 2007
Ali Akbar Ahmadian (Chief of IRGC Joint Staff). Resolution 1747	October 21, 2007
Hosein Salimi (IRGC Air Force commander). Resolution 1737	October 21, 2007
Qasem Soleimani (Qods Force commander). Resolution 1747	October 21, 2007
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
7 <sup>th</sup> of Tir (involved in developing centrifuge technology)	July 8, 2008
Ammunition and Metallurgy Industries Group (partner of 7 <sup>th</sup> 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, 2008
Esfahan Nuclear Fuel Research and Production Center (NFRPC)	August 12, 2008
Jabber Ibn Hayyan (reports to Atomic Energy Org. of Iran, AEIO)	August 12, 2008
Safety Equipment Procurement Company	August 12, 2008
Joza Industrial Company (front company for Shahid Hemmat Industrial Group, SHIG)	August 12, 2008
Islamic Republic of Iran Shipping Lines (IRISL) and 18 affiliates, including Val Fajr 8; Kazar; Irinvestship; Shipping	September 10, 2008

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	
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 (BMIIIC); 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; BMIIIC Intel. General Trading	March 3, 2009
IRGC General Rostam Qasemi, head of Khatem ol-Anbiya Construction Headquarters (key corporate arm of the IRGC)	February 10, 2010 (see also October 21, 2007)
Fater Engineering Institute (linked to Khatem ol-Anbiya)	February 10, 2010
Imensazen Consultant Engineers Institute (linked to Khatem ol-Anbiya)	February 10, 2010
Makin Institute (linked to Khatem ol-Anbiya)	February 10, 2010
Rahab Institute (linked to Khatem on-Anbiya)	February 10, 2010
<b>Entities Sanctioned Under Executive Order 13224 (Terrorism Entities)</b>	
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	January 16, 2009
<b>Entities Sanctioned Under the Iran Non-Proliferation Act and other U.S. Proliferation Laws</b>	
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.	September 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 Sinyong and China's Norinco and Great Wall Industry Corp, have been sanctioned several times previously. Newly	December 2004 and January 2005

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. Rosobornexport, 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); Rosobornexport (Russia state 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
<b>Entities Designated as Threats to Iraqi Stability under Executive Order 13438</b>	
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 kidnappings 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