# Iran Sanctions

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# Summary


Numerous laws and regulations have been adopted or issued to try to curb Iran's support for militant groups and slow its weapons of mass destruction programs. The sanctions are intended to reduce the revenue available to Iran's government and to generate domestic pressure within Iran to adopt policies more acceptable to the international community. The wide range of U.S. sanctions restrict U.S. trade with and investment in Iran, prohibit U.S. foreign aid to Iran, and require 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. Foreign subsidiaries of U.S. firms remain generally exempt from the trade ban since they operate under the laws of the countries where these subsidiaries are incorporated. 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 report 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 domestic or foreign policy situations or 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 effort to further exploit Iran's weaknesses, in particular its dependence on imports of gasoline, in the 111th Congress, H.R. 2194 (which passed the House on December 15, 2009), 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 on a possible new U.N. Security Council Resolution—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. Possibly as a result of this trend, and the potential for doing business with Iran to harm corporate reputations, since 2010 began, several major international firms have announced an end to their business pursuits in Iran. For more on Iran, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

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# Overview

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 initially altered because of the Iranian dispute over its June 12, 2009, elections. However, with subsequent negotiations yielding no firm Iranian agreement to compromise, the Administration has turned its focus to imposing additional U.N. sanctions against Iran.

While international sanctions on Iran are a relatively recent (post-2006) development, Iran has long been 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. While seeking to increase international sanctions against Iran, the Administration has begun to also alter some U.S. regulations to help Iran's domestic opposition and undermine the pillars of Iran's regime. In February 2009, the Administration sanctioned additional firms linked to Iran's Revolutionary Guard. The Administration has modified U.S. regulations to allow U.S. Internet software to reach Iran – a move that appears to support a congressional trend to try to help the domestic opposition in Iran. President Obama renewed for another year the U.S. trade and investment ban on Iran (Executive Order 12959) in March 2009.

A particular focus of Iran-related legislation in the 111th 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 Administration has sought to ensure that the congressional sanctions initiative do not hamper cooperation with key international partners whose support is needed to adopt stricter international sanctions. Still, the growing sentiment in the United States and Europe for additional international and national sanctions against Iran has caused some major international firms - some foreign subsidiaries of U.S. firms and some completely international firms - to pull out of the Iranian market in order not to jeopardize their businesses in these larger markets.

# 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, many of which are incorporated in countries that are allies of the United States. In the past, U.S. allies have objected to banning trade with Iran and to the U.S. imposition of sanctions, such as ISA, that apply to non-U.S. companies. This opposition has been despite the fact that most European countries share the U.S. goal of ensuring that Iran does not become a nuclear power. Congress and the Clinton Administration saw ISA as a potential mechanism to compel U.S. allies to join the United States in enacting trade sanctions against Iran. American firms are restricted from trading with or investing in Iran under separate U.S. executive measures, as discussed below. Several bills pending in the 111th Congress propose amending the Act to curtail additional types of activity, such as selling gasoline and gasoline shipping services to Iran.

## Legislative History and Provisions

Originally called the Iran and Libya Sanctions Act (ILSA), ISA was enacted to try 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.

The opportunity to try to harm Iran's energy sector 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 practically, compel any foreign government to take action against one of its firms.

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

[1] The definition of "investment" in ISA (Section 14 (9)) includes not only equity and royalty arrangements (including additions to existing investment, as added by P.L. 107-24) but any contract that includes "responsibility for the development of petroleum resources" of Iran. 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). Under Section 4(d) of the Act, 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.

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

There is no time frame for the Administration to determine that a firm has violated ISA's provisions. P.L. 109-293, the "Iran Freedom Support Act" (signed September 30, 2006) amended ISA by calling for, *but not requiring*, a 180-day time limit for a violation determination (there is no time limit in the original law). Other ISA amendments under that law included recommending against U.S. nuclear agreements with countries that supply nuclear technology to Iran and expanding provisions of the USA Patriot Act (P.L. 107-56) to curb money-laundering for use to further WMD programs.

Earlier versions of legislation (H.R. 282, S. 333) that ultimately became P.L. 109-293 contained ISA amendment proposals that were viewed by the Bush Administration as too inflexible and restrictive, and potentially harmful to U.S. relations with its allies. These provisions included setting a mandatory 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.-Iran trade ban to foreign subsidiaries of U.S. firms.

## Available Sanctions Under ISA

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 sanctions if he certifies that doing so is important to the U.S. national interest (Section 9(c)). There was also waiver authority if the parent country of the violating firm joined a sanctions regime against Iran, but this waiver provision was changed by P.L. 109-293 to allow for a waiver determination based on U.S. vital national security interests. ISA application to Iran would terminate if Iran is determined by the Administration to have ceased its efforts to acquire WMD and is removed from the U.S. list of state sponsors of terrorism, *and* no longer "poses a significant threat" to U.S. national security and U.S. allies.[3]

In the 110th 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.

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[3] This latter termination requirement added by P.L. 109-293. This law also removed Libya from the Act, although application to Libya effectively terminated when the President determined on April 23, 2004, that Libya had fulfilled the requirements of all U.N. resolutions on Pan Am 103.

### 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. However, some maintained that Iran 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 (as provided by P.L. 109-293).

## Implementation, Effectiveness, and Ongoing Challenges

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[4] 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.[5]

Since the Total/Petronas/Gazprom project in 1998, no projects have been determined as violations of ISA. 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 may not have resulted in actual production.

### Application to Energy Routes

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

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

[5] 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

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 and Kuwait reportedly are holding talks on the construction of a 350 mile pipeline that would bring Iranian gas to Kuwait. The two sides have apparently reached agreement on volumes (8.5 million cubic meters of gas would go to Kuwait each day) but not on price. [6]

### 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 called it "unacceptable," but no U.S. official has stated outright that it would be sanctioned.

### European Gas Pipeline Routes

Iran also is attempting to position itself as a gas exporter to Europe. A potential project involving Iran is the Nabucco pipeline project, which would transport Iranian gas to western Europe. Iran, Turkey, and Austria reportedly have negotiated 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.

[6] http://www.kuwaittimes.net/read_news.php?newsid=NDQ0OTY1NTU4; http://english.farsnews.com/newstext.php?nn=8901181055

## Application to Energy Purchases From or Sales to Iran

Major 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 (even in energy products). Nor do sales to Iran of equipment or services for Iran to build its own energy projects appear to meet the definition of investment under the Act. Some of the deals listed in the chart later in this report 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 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.

Some key energy investors in Iran, such as major European firms Repsol, Royal Dutch Shell, and Total, have announced pullouts from some of their Iran projects, declined to make further investments, or resold their investments to other companies. On July 12, 2008, Total and Petronas, the original South Pars investors, pulled out of a deal to develop a liquified natural gas (LNG) export capability at Phase 11 of South Pars, saying that investing in Iran at a time of growing international pressure over its nuclear program is "too risky." Also in 2008, Japan significantly reduced its participation in the development of Iran's large Azadegan field. Some of the void has been filled, at least partly, by Asian firms such as those of China and Malaysia. However, even if these agreements are implemented, these companies are perceived as not being as technically capable as those that have withdrawn from Iran.

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

Some 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.[7] 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 110th 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 Gasoline Production and Sales

ISA, as currently constituted, has limited evident applications to Iran's gasoline dependency. Iran is dependent on gasoline imports to supply about 30%-40% of its gasoline needs. To try to reduce that dependence, Iran has plans to build or expand, possibly with foreign investment, at least eight refineries. Selling Iran equipment with which it can build or expand its refineries using its own construction capabilities would not appear to constitute "investment" under the current definition of ISA. However, taking responsibility for constructing oil refineries or petrochemical plants in Iran could constitute sanctionable projects under ISA because ISA's definition of investment 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.

### *Gasoline Sales*

Selling or shipping gasoline to Iran does not appear to meet the definition of sanctionable activity under ISA. 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.[8] As noted in a *New York Times* report of March 7, 2010,[9] some firms that have supplied

[7] 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.

[8] Information in this section derived from, Blas, Javier. "Traders Cut Iran Petrol Line." Financial Times, March 8, 2010.

[9] Becker, Jo and Ron Nixon. "U.S. Enriches Companies Defying Its Policy on Iran." *New York Times*, March 7, 2010.

Iran have received U.S. credit guarantees or contracts. The main suppliers to Iran and the status of their sales to Iran are

- Vitol of Switzerland (which said in March 2010 it has stopped sales of gasoline to Iran);[10]
- Trafigura of Switzerland (which also says it has stopped sales);
- Glencore of Switzerland;
- Total of France;
- Reliance Industries of India (reportedly has promised to end sales to Iran);[11]
- Petronas of Malaysia;
- Lukoil of Russia (reportedly said in April 2010 that it will end sales to Iran);[12]
- Royal Dutch Shell of the Netherlands (which says it stopped sales to Iran in 2009);[13]
- 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);[14]
- Petroleos de Venezuela (reportedly reached a September 2009 deal to supply Iran with gasoline);
- Kuwait's Independent Petroleum Group supplies Iran;[15] and
- Munich Re, Allianz, and Hannover Re reportedly have exited the market for insuring gasoline shipments for Iran.[16]

The cessation of supplies to Iran by the large suppliers listed above, particularly 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 and UAE may have picked up some of the shortfall, in addition to the other suppliers listed above.

## Legislation in the 111th Congress

A number of ideas to expand ISA's application to gasoline sales to Iran have been advanced, 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. In the

[10] http://www.defenddemocracy.org/index.php?option=com_content&task=view&id=11788115&Itemid=105

[11] http://www.defenddemocracy.org/index.php?option=com_content&task=view&id=11788115&Itemid=105

[12] http://www.defenddemocracy.org/index.php?option=com_content&task=view&id=11788115&Itemid=105

[13] http://www.defenddemocracy.org/index.php?option=com_content&task=view&id=11788115&Itemid=105

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

[15] http://www.defenddemocracy.org/index.php?option=com_content&task=view&id=11788115&Itemid=105

[16] http://www.defenddemocracy.org/index.php?option=com_content&task=view&id=11788115&Itemid=105

110th Congress, H.R. 2880 would have made sales to Iran of refined petroleum resources a violation of ISA.

In the 111th Congress, a few initiatives have been adopted. 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). A provision of the FY2010 consolidated appropriation (P.L. 111-117) would deny Eximbank credits to any firm that sells gasoline to Iran, provides equipment to Iran that it can use to expand its oil refinery capabilities, or performs gasoline production projects in Iran.

In the past, some threats to cut off U.S. credits have deterred sales to Iran. The Reliance Industries Ltd. of India decision to cease new sales of refined gasoline to Iran (as of December 31, 2008), mentioned above, came after several Members of Congress urged the Exim Bank of the United States to suspend assistance to Reliance, on the grounds that it was assisting Iran's economy with the gas sales. The Exim Bank, in August 2008, had extended a total of $900 million in financing guarantees to Reliance to help it expand.

### *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. H.R. 2194 and S. 908 were both titled the Iran Refined Petroleum Sanctions Act of 2009 (IRPSA). H.R. 2194 passed the House on 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

- Requiring imposition of three new sanctions (in addition to those authorized 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.
- The additional 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).
- Raising the threshold to waive ISA penalties to a standard of "vital to the national security interest" of the United States.
- Mandates the immediate commencement of an investigation into whether an announced or reported investment in Iran's energy sectors constitutes a violation.
- If a firm is sanctioned for violating ISA's provisions against selling WMD-related goods to Iran, the government of that country would not be eligible for a nuclear

agreement with the United States under Section 123 of the Atomic Energy Act of 1954 (42 U.S.C. 2153).

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

A similar but broader bill in the Senate, 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, and 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 the trade ban and application to 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.

## Likely Effects of the Iran Refined Petroleum Sanctions Act

Obama Administration officials are said to be concerned by the passage of H.R. 2194 and S. 2799 because of the legislation's potential to 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 could 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.

Those supporting these bills say that the legislation will strengthen President Obama's ability to obtain an agreement with Iran that might impose limitations on its nuclear program. The legislation might demonstrate 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.[17]

## Administration Review of Potential ISA Violations[18]

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. No publication of such deals has been placed in the *Federal Register* (requirement of Section 5e of ISA).

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 111th 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

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

[18] 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.

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.

**Table 1. 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 | **Doroud (oil)**<br>(Energy Information Agency, Department of Energy, August 2006.) | Totalfina Elf (France)/ENI (Italy) | $1 billion | 205,000 bpd |
| Apr. 1999 | **Balal (oil)**<br>("Balal Field Development in Iran Completed," *World Market Research Centre*, May 17, 2004.) | Totalfina Elf/ Bow Valley (Canada)/ENI | $300 million | 40,000 bpd |
| Nov. 1999 | **Soroush and Nowruz (oil)**<br>("News in Brief: Iran." *Middle East Economic Digest*, (MEED) January 24, 2003.) | Royal Dutch Shell (Netherlands)/Japex (Japan) | $800 million | 190,000 bpd |
| Apr. 2000 | **Anaran (oil)**<br>(MEED Special Report, December 16, 2005, pp. 48-50.) | Norsk Hydro (Norway)/Lukoil (Russia) | $100 million | 100,000 (by 2010) |
| July 2000 | **Phase 4 and 5, South Pars (gas)**<br>(*Petroleum Economist*, December 1, 2004.) | ENI<br>Gas onstream as of Dec. 2004 | $1.9 billion | 2 billion cu.ft./day (cfd) |
| Mar. 2001 | **Caspian Sea oil exploration** – construction of submersible drilling rig for Iranian partner<br>(IPR Strategic Business Information Database, March 11, 2001.) | GVA Consultants (Sweden) | $225 million | NA |
| June 2001 | **Darkhovin (oil)**<br>("Darkhovin Production Doubles." Gulf Daily News, May 1, 2008.) | ENI<br>Field in production | $1 billion | 100,000 bpd |
| May 2002 | **Masjid-e-Soleyman (oil)**<br>("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 | **Phase 9 + 10, South Pars (gas)**<br>("OIEC Surpasses South Korean Company in South Pars." IPR Strategic Business Information Database, November 15, 2004.) | LG (South Korea)<br>On stream as of early 2009 | $1.6 billion | 2 billion cfd |
| Oct. 2002 | **Phase 6, 7, 8, South Pars (gas)**<br>(Petroleum Economist, March 1, 2006.) | Statoil (Norway)<br>began producing late 2008 | $2.65 billion | 3 billion cfd |

| Date | Field/Project | Company(ies)/Status (If Known) | Value | Output/Goal |
|---|---|---|---|---|
| Jan. 2004 | **Azadegan (oil)**<br>("Japan Mulls Azadegan Options." APS Review Oil Market Trends, 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 | **Tusan Block**<br>("Iran-Petrobras Operations." APS Review Gas Market Trends, April 6, 2009; "Brazil's Petrobras Sees Few Prospects for Iran Oil.") http://www.reuters.com/article/idUSN0317110720090703 | Petrobras (Brazil)<br>Oil found in block in Feb. 2009, but not in commercial quantity, according to the firm | $34 million | ? |
| Oct. 2004 | **Yadavaran (oil)**<br>("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 | **Garmsar block (oil)**<br>Deal finalized in June 2009<br>("China's Sinopec signs a deal to develop oil block in Iran - report", Forbes, 20 June 2009, http://www.forbes.com/feeds/afx/2006/06/20/afx2829188.html.) | Sinopec (China) | $20 million | ? |
| July 2006 | **Arak Refinery expansion**<br>(Fimco FZE Machinery Website; http://www.fimco.org/index.php?option=com_content&task=view&id=70&Itemid=78.) | Sinopec (China) | $959 million | |
| Sept. 2006 | **Khorramabad block (oil)**<br>(PR Strategic Business Information Database, September 18, 2006) | Norsk Hydro (Norway) | $49 million | ? |
| Mar. 07 | **Esfahan refinery upgrade**<br>("Daelim, Others to Upgrade Iran's Esfahan Refinery." *Chemical News and Intelligence*, March 19, 2007.) | Daelim (S. Korea) | | NA |
| Dec. 2007 | **Golshan and Ferdows onshore and offshore gas fields and LNG plant**<br>contract modified but reaffirmed December 2008<br>(Oil Daily, January 14, 2008.) | SKS Ventures (Malaysia) | $16 billion | 3.4 billion cfd |
| Jan. 2009 | **"North Azadegan"**<br>(Chinadaily.com. "CNPC to Develop Azadegan Oilfield" http://www.chinadaily.com.cn/bizchina/2009-01/16/content_7403699.htm) | CNPC (China) | $1.75 billion | 75,000 bpd |
| Nov. 2009 | **South Pars: Phase 12 – Part 2 and Part 3**<br>("Italy, South Korea To Develop South Pars Phase 12." Press TV (Iran). November 3, 2009. http://www.presstv.com/pop/Print/?id=110308.) | Daelim (S. Korea) – Part 2; Tecnimont (Italy) – Part 3 | $4 billion ($2 bn each part) | |
| Feb. 2010 | **South Pars: Phase 11**<br>Drilling to Begin in March 2010<br>("CNPC in Gas Deal, Beefs Up Tehran Team – Source." Reuters India, February 10, 2010. http://in.reuters.com.articlePrint?articleId=INTOE61909U20100210.) | CNPC (China) | $4.7 billion | |
| **Totals:** | | | | |

| Date | Field/Project | Company(ies)/Status (If Known) | Value | Output/Goal |
|---|---|---|---|---|
| **$41 billion investment** | | | | |
| **Other Pending/Preliminary Deals** | | | | |
| North Pars Gas Field (offshore gas). Includes gas purchases (Dec. 2006) (http://english.peopledaily.com.cn/200705/19/print20070519_376139.html) | | China National Offshore Oil Co. | $16 billion | 3.6 billion cfd |
| Phase 13, 14 - South Pars (gas); (Feb. 2007). Deadline to finalize as May 20, 2009 apparently not met; firms submitted revised proposals to Iran in June 2009. (http://www.rigzone.com/news/article.asp?a_id=77040&hmpn=1) | | 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) (http://www.presstv.ir/detail.aspx?id=112062&sectionid=351020103) | | Oman (co-financing of project) | $7 billion | 1 billion cfd |
| Phase 12 South Pars (gas) – part 1. 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.

# Ban on U.S. Trade and Investment With Iran

ISA was enacted, in part, because U.S. allies refused to adopt a ban on trade with and investment in Iran. Such a U.S. ban was imposed on May 6, 1995, when President Clinton issued Executive

Order 12959.[19] This followed an earlier March 1995 executive order barring U.S. investment in Iran's energy sector. The trade and investment 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 10, 2010), the U.S. Administration has renewed a declaration of a state of emergency that triggered the investment ban.

Some modifications to the trade ban since 1999 account for the trade between the United States and Iran which was about $350 million worth of goods for all of 2009 ($281 million in exports to Iran, and $67 million in imports from Iran). That is about half the value of the bilateral trade in 2008.

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. Security Council resolution. A very wide range of foreign firms conduct trade with or have a corporate presence with Iran. Some of the well-known firms include Alcatel-Lucent of France; Bank of Tokyou- Mitsubishi UFJ; BNP Paribas of France; Bosch of Germany; Canon of Japan; Fiat SPA of Italy, Ericsson of Sweden; ING Group of the Netherlands; KPMG of the Netherlands, Mercedes of Germany; Renault of France; Samsung of South Korea, Sony of Japan, Volkswagen of Germany, Volvo of Sweden, ThyssenKrupp of Germany, and numerous others. As discussed further later, Siemens of Germany was active in the Iran telecommunications infrastructure market, but announced in February 2010 that it would cease pursuing business in Iran.

Some of the foreign firms that trade with Iran, 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 on foreign firms that do business with Iran and also receive U.S. contracts or financing. The *Times* article does not claim that these firms have violated any U.S. sanctions laws.

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, but U.S. companies may apply for licenses to conduct "swaps" of Caspian Sea oil with Iran. 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

[19] 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.

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. No U.S. Administration has authorized credit guarantees, to date.

- In April 2000, the trade ban was further eased to allow U.S. importation of Iranian nuts, dried fruits, carpets, and caviar. The United States was the largest market for Iranian carpets before the 1979 revolution, but U.S. anti-dumping tariffs imposed on Iranian products in 1986 dampened of many Iranian products. The tariff on Iranian carpets is now about 3%-6%, and the duty on Iranian caviar is about 15%. In December 2004, U.S. sanctions were further modified to allow Americans to freely engage in ordinary publishing activities with entities in Iran (and Cuba and Sudan). As of mid-2007, the product most imported from Iran by U.S. importers is pomegranate juice concentrate. In the 110th Congress, H.R. 1400, S. 970, S. 3445, and H.R. 7112 would have re-imposed the full import ban.

## Application to Foreign Subsidiaries of U.S. Firms

The U.S. trade ban does not bar subsidiaries of U.S. firms from dealing with Iran, as long as the subsidiary has no operational relationship to the parent company. 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.

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)[20]—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 were, 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

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

Securities and Exchange Commission. These include Natco Group,[21] Overseas Shipholding Group, [22] UOP (a Honeywell subsidiary),[23] Itron[24], Fluor, [25] Flowserve,[26] Parker Drilling, Vantage Energy Services,[27] Weatherford, [28]and a few others. However, in March 2010, Ingersoll Rand, maker of air compressors and cooling systems, said it would no longer allow its subsidiaries to do business in Iran.[29] 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.[30]

- An Irish subsidiary of the Coca Cola company provides syrup for the U.S.-brand soft drink to an Iranian distributor, Khoshgovar. Local versions of both Coke and of Pepsi (with Iranian-made syrups) are also marketed in Iran by distributors who licensed the recipes for those soft drinks before the Islamic revolution and before the trade ban was imposed on Iran.

In the 110th Congress, S. 970, S. 3227, S. 3445, and three House-passed bills (H.R. 1400, H.R. 7112, and H.R. 957)—would have applied sanctions to the parent companies of U.S. subsidiaries if those subsidiaries are directed or formed to trade with Iran. As noted, in the 111th Congress, the Senate version of H.R. 2194 contains 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"[31]with regard to targeting Iran's proliferation networks. The

[21] Form 10-K Filed for fiscal year ended December 31, 2008.

[22] 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.

[23] New York Times, March 7, 2010, cited previously.

[24] Subsidiaries of the Registrant at December 31, 2009. http://www.sec.gov/Archives/edgar/data/780571/000078057110000007/ex_21-1.htm

[25] "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.

[26] Form 10-K for Fiscal year ended December 31, 2009.

[27] Form 10-K for Fiscal year ended December 31, 2007.

[28] 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.

[29] Nixon, Ron. "2 Corporations Say Business With Tehran Will Be Curbed." *New York Times*, March 11, 2010.

[30] "Caterpillar Says Tightens 'No-Iran' Business Policy." Reuters, March 1, 2010.

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

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,[32] 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 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.[33] Bank Sepah is subject to asset freezes and transactions limitations as a result of Resolutions 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 110th 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 111th 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.

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

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

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 UK-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 Department as proliferation entities 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 (P.L. 96-72, as amended), sanctioning countries determined to have provided repeated support for acts of international terrorism. Iran was added to the list in January 1984, following the October 1983 bombing of the U.S. Marine barracks in Lebanon (believed perpetrated by Hezbollah). Sanctions imposed as a consequence include a ban on U.S. foreign aid to Iran; restrictions on U.S. exports to Iran of dual use items; and requires the United States to vote against international loans to Iran.

- The terrorism list designation restricts sales of U.S. dual use items (Export Administration Act, as continued 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, P.L. 87-195) and arms sales (Section 40 of the Arms Export Control Act, P.L. 95-92, as amended), 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 of P.L. 104-132) 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, under the authority of the IEEPA, the National Emergencies Act, the U.N. Participation Act of 1945, and Section 301 of the U.S. Code, 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[34] 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.[35] (A Continuing Resolution for FY2009, which funded the U.S. government through

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

[35] 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 (continued...)

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.

### 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.[36]

## Relations to International Sanctions

The U.S. sanctions discussed in this report are more comprehensive than those imposed, to date, by the United Nations Security Council. However, there is some overlap between the U.N. sanctions and those imposed by the United States and some of its allies under their separate national authorities.

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)

(...continued)

transportation on its Soyuz spacecraft. Legislation in the 109th Congress (S. 1713, P.L. 109-112) amended the provision in order to facilitate continued U.S. access and extended INA sanctions provisions to Syria.

[36] 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.

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 report.

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 renew 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; and reducing or ending the provision of trade credits for 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.

Other ideas reportedly floated but then retracted to attract broader U.N. Security Council support, included 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; expanding authority to search shipments by Iran's shipping and cargo entities; and banning arms sales to Iran. According to U.S. diplomats in early April 2010, China, which had long been opposing a new round of U.N. sanctions against Iran, has become convinced that Iran is not negotiating in good faith and has begun to engage on the specifics of a new U.N. resolution. The Obama Administration says it hopes to complete the negotiations on a new resolution before the end of April 2010, at which time the Security Council presidency passes from Japan, a key U.S. ally, to Lebanon, which for domestic reasons is hesitant to move against Iran.

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

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

| |
|---|
| Require Iran to suspend uranium enrichment (all) |
| Prohibit transfer to Iran of nuclear, missile, and dual use items to Iran, except for use in light water reactors (1737) |
| Prohibit Iran from exporting arms or WMD-useful technology (1747) |
| 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 restraint in any international lending to Iran (with the exception of humanitarian projects) (1747). |
| Call for vigilance with respect to the foreign activities of all Iranian banks, particularly Bank Melli and Bank Saderat (1803), |
| 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. (1803) |

**Source:** Text of U.N. Security Council resolutions 1737, 1747, and 1803. http://www.un.org. More information on specific provisions of each of these resolutions is in CRS Report. CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

# 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).[37] The concept of these sanctions is to express the view of Western and other democracies that Iran is an outcast internationally.

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

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

# Sanctions and Other Proposals to Support Iran's Opposition

A major trend in the 111th 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 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.

## Expanding Internet and Communications Freedoms

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" (Victims of Iranian Censorship) 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. The VOICE Act 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.

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

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.[38] 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.[39] 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.

Also in line with this trend, on March 8, 2010, OFAC amended the Iran Transactions Regulations that implement the U.S.-Iran 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.

### 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. Some observers say that, in anticipated conference action on H.R. 2194, provisions of S. 3022 might be considered for inclusion in a unified bill.

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,

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

[39] End, Aurelia. "Siemens Quits Iran Amid Mounting Diplomatic Tensions." Agence France Press, January 27, 2010.

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.[40]

**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)<br>Kalaye Electric (Natanz supplier))<br>Pars Trash Company (centrifuge program) Farayand Technique (centrifuge program)<br>Defense Industries Organization (DIO)<br>7th of Tir (DIO subordinate)<br>Shahid Hemmat Industrial Group (SHIG)—missile program<br>Shahid Bagheri Industrial Group (SBIG) - missile program<br>Fajr Industrial Group (missile program)<br>Mohammad Qanadi, AEIO Vice President<br>Behman Asgarpour (Arak manager)<br>Ehsan Monajemi (Natanz construction manager)<br>Jafar Mohammadi (Adviser to AEIO) | Gen. Hosein Salimi (Commander, IRGC Air Force)<br>Dawood Agha Jani (Natanz official)<br>Ali Hajinia Leilabadi (director of Mesbah Energy)<br>Lt. Gen. Mohammad Mehdi Nejad Nouri (Malak Ashtar University of Defence Technology rector)<br>Bahmanyar Morteza Bahmanyar (AIO official)<br>Reza Gholi Esmaeli (AIO official)<br>Ahmad Vahid Dastjerdi (head of Aerospace Industries Org., AIO)<br>Maj. Gen. Yahya Rahim Safavi (Commander in Chief, IRGC) |
| **Entities/Persons Added by Resolution 1747** | |
| Ammunition and Metallurgy Industries Group (controls 7th of Tir)<br>Parchin Chemical Industries (branch of DIO)<br>Karaj Nuclear Research Center<br>Novin Energy Company<br>Cruise Missile Industry Group<br>Sanam Industrial Group (subordinate to AIO)<br>Ya Mahdi Industries Group<br>Kavoshyar Company (subsidiary of AEIO) | Fereidoun Abbasi-Davani (senior defense scientist)<br>Mohasen Fakrizadeh-Mahabai (defense scientist)<br>Seyed Jaber Safdari (Natanz manager)<br>Mohsen Hojati (head of Fajr Industrial Group)<br>Ahmad Derakshandeh (head of Bank Sepah) |

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

| | |
|---|---|
| Sho'a Aviation (produces IRGC light aircraft for asymmetric warfare)<br><br>Bank Sepah<br>(funds AIO and subordinate entities)<br><br>Esfahan Nuclear Fuel Research and Production Center and Esfahan Nuclear Technology Center<br><br>Qods Aeronautics Industries<br>(produces UAV's, para-gliders for IRGC asymmetric warfare)<br><br>Pars Aviation Services Company<br>(maintains IRGC Air Force equipment)<br><br>Gen. Mohammad Baqr Zolqadr<br>(IRGC officer serving as deputy Interior Minister<br><br>Brig. Gen. Qasem Soleimani (Qods Force commander) | Brig. Gen. Mohammad Reza Zahedi (IRGC ground forces commander)<br><br>Amir Rahimi<br>(head of Esfahan nuclear facilities)<br><br>Mehrdada Akhlaghi Ketabachi (head of SBIG)<br><br>Naser Maleki (head of SHIG)<br><br>Brig. Gen. Morteza Reza'i<br>(Deputy commander-in-chief, IRGC)<br><br>Vice Admiral Ali Akbar Ahmadiyan<br>(chief of IRGC Joint Staff)<br><br>Brig. Gen. Mohammad Hejazi<br>(Basij commander) |
| **Entities Added by Resolution 1803** | |
| Thirteen Iranians named in Annex 1 to Resolution 1803; all reputedly involved in various aspects of nuclear program<br><br>Electro Sanam Co.<br><br>Abzar Boresh Kaveh Co.<br>(centrifuge production)<br><br>Barzaganin Tejaral Tavanmad Saccal<br><br>Jabber Ibn Hayan<br><br>Khorasan Metallurgy Industries<br><br>Niru Battery Manufacturing Co.<br>(Makes batteries for Iranian military and missile systems)<br><br>Safety Equipment Procurement<br>(AIO front, involved in missiles) | Ettehad Technical Group<br>(AIO front co.)<br><br>Industrial Factories of Precision<br><br>Joza Industrial Co.<br><br>Pshgam (Pioneer) Energy Industries<br><br>Tamas Co.<br>(involved in uranium enrichment) |
| **Entities Designated Under U.S. Executive Order 13382**<br>**(many designations coincident with designations under U.N. resolutions)** | |
| **Entity** | **Date Named** |
| 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 |

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|---|---|
| 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 | October 21, 2007 |

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| 1747 | |
| Future Bank (Bahrain-based but allegedly controlled by Bank Melli) | March 12, 2008 |
| Yahya Rahim Safavi (former IRGC Commander in Chief | July 8, 2008 |
| Mohsen Fakrizadeh-Mahabadi (senior Defense Ministry scientist) | July 8, 2008 |
| Dawood Agha-Jani (head of Natanz enrichment site) | July 8, 2008 |
| Mohsen Hojati (head of Fajr Industries, involved in missile program) | July 8, 2008 |
| Mehrdada Akhlaghi Ketabachi (heads Shahid Bakeri Industrial Group) | July 8, 2008 |
| Naser Maliki (heads Shahid Hemmat Industrial Group) | July 8, 2008 |
| Tamas Company (involved in uranium enrichment) | July 8, 2008 |
| Shahid Sattari Industries (makes equipment for Shahid Bakeri) | July 8, 2008 |
| 7th of Tir (involved in developing centrifuge technology) | July 8, 2008 |
| Ammunition and Metallurgy Industries Group (partner of 7th of Tir) | July 8, 2008 |
| Parchin Chemical Industries (deals in chemicals used in ballistic missile programs) | July 8, 2008 |
| Karaj Nuclear Research Center | August 12, 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 Computer Services; Iran o Misr Shipping; Iran o Hind; IRISL Marine Services; Iriatal Shipping; South Shipping; IRISL Multimodal; Oasis; IRISL Europe; IRISL Benelux; IRISL China; Asia Marine Network; CISCO Shipping; and IRISL Malta | September 10, 2008 |
| Firms affiliated to the Ministry of Defense, including Armament Industries Group; Farasakht Industries; Iran Aircraft Manufacturing Industrial Co.; Iran Communications Industries; Iran Electronics Industries; and Shiraz Electronics Industries | September 17, 2008 |
| Export Development Bank of Iran. Provides financial services to Iran's Ministry of Defense and Armed Forces Logistics | October 22, 2008 |
| Assa Corporation (alleged front for Bank Melli involved in managing property in New York City on behalf of Iran) | December 17, 2008 |
| 11 Entities Tied to Bank Melli: Bank Melli Iran Investment (BMIIC); Bank Melli Printing and Publishing; Melli Investment Holding; Mehr Cayman Ltd.; Cement Investment and Development; Mazandaran Cement Co.; Shomal Cement; Mazandaran Textile; Melli Agrochemical; First Persian Equity | March 3, 2009 |

| | |
|---|---|
| Fund; BMIIC Intel. General Trading | |
| 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 |
| **Entities Sanctioned Under Executive Order 13224 (Terrorism Entities)** | |
| Qods Force | October 21, 2007 |
| Bank Saderat (allegedly used to funnel Iranian money to Hezbollah, Hamas, PIJ, and other Iranian supported terrorist groups) | October 21, 2007 |
| Al Qaeda Operatives in Iran: Saad bin Laden; Mustafa Hamid; Muhammad Rab'a al-Bahtiyti; Alis Saleh Husain | January 16, 2009 |
| **Entities Sanctioned Under the Iran Non-Proliferation Act and other U.S. Proliferation Laws** | |
| Norinco (China). For alleged missile technology sale to Iran. | May 2003 |
| Taiwan Foreign Trade General Corporation (Taiwan) | July 4, 2003 |
| Tula Instrument Design Bureau (Russia). For alleged sales of laser-guided artillery shells to Iran. | 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 sanctioned entities included North Korea's Paeksan Associated Corporation, and Taiwan's Ecoma Enterprise Co. | December 2004 and January 2005 |
| 9 entities, including those from China (Norinco yet again), India (two chemical companies), and Austria. Sanctions against Dr. Surendar of India (see September 29, 2004) were ended, presumably because of information exonerating him. | December 26, 2005 |
| 7 entities. Two Indian chemical companies (Balaji Amines and Prachi Poly Products); two Russian firms (Rosobornexport and aircraft manufacturer Sukhoi); two North Korean entities (Korean Mining and Industrial Development, and Korea Pugang Trading); and one Cuban entity (Center for Genetic Engineering and Biotechnology). | August 4, 2006 |
| 9 entities. Rosoborneksport, Tula Design, and Komna Design Office of Machine Building, and Alexei Safonov (Russia); Zibo Chemical, China National Aerotechnology, and China National Electrical (China). Korean Mining and Industrial Development (North Korea) for WMD or advanced weapons sales to Iran (and Syria). | January 2007 |

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|---|---|
| 14 entities, including Lebanese Hezbollah. Some were penalized for transactions with Syria. Among the new entities sanctioned for assisting Iran were Shanghai Non-Ferrous Metals Pudong Development Trade Company (China); Iran's Defense Industries Organization; Sokkia Company (Singapore); Challenger Corporation (Malaysia); Target Airfreight (Malaysia); Aerospace Logistics Services (Mexico); and Arif Durrani (Pakistani national). | April 23, 2007 |
| 13 entities: China Xinshidai Co.; China Shipbuilding and Offshore International Corp.; Huazhong CNC (China); IRGC; Korea Mining Development Corp. (North Korea); Korea Taesong Trading Co. (NK); Yolin/Yullin Tech, Inc. (South Korea); Rosoboronexport (Russia sate arms export agency); Sudan Master Technology; Sudan Technical Center Co; Army Supply Bureau (Syria); R and M International FZCO (UAE); Venezuelan Military Industries Co. (CAVIM); | October 23, 2008 |
| **Entities Designated as Threats to Iraqi Stability under Executive Order 13438** | |
| Ahmad Forouzandeh. Commander of the Qods Force Ramazan Headquarters, accused of fomenting sectarian violence in Iraq and of organizing training in Iran for Iraqi Shiite militia fighters | January 9, 2008 |
| Abu Mustafa al-Sheibani. Iran based leader of network that funnels Iranian arms to Shiite militias in Iraq. | January 9, 2008 |
| Isma'il al-Lami (Abu Dura). Shiite militia leader, breakaway from Sadr Mahdi Army, alleged to have committed mass kidnapings and planned assassination attempts against Iraqi Sunni politicians | January 9, 2008 |
| Mishan al-Jabburi. Financier of Sunni insurgents, owner of pro-insurgent Al-Zawra television, now banned | January 9, 2008 |
| Al Zawra Television Station | January 9, 2008 |
| Khata'ib Hezbollah (pro-Iranian Mahdi splinter group) | July 2, 2009 |
| Abu Mahdi al-Muhandis | July 2, 2009 |

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