



## Possible Additional Sanctions on Iran

### Overview

For nearly four decades, U.S. sanctions have constituted a key component of U.S. policy toward Iran. U.S. “secondary sanctions” on foreign firms that conduct transactions with Iran have been a significant feature of those sanctions since 1996. The July 2015 multilateral nuclear agreement with Iran (Joint Comprehensive Plan of Action, JCPOA) resulted in a broad easing of multilateral sanctions—and U.S. secondary sanctions—on Iran’s core economic sectors. Language in the JCPOA’s preamble, as well as in Paragraph 26 of the document, commits the United States and other parties to the JCPOA to “refrain from” imposing new “nuclear-related” sanctions similar to those that have been lifted, or re-imposing sanctions lifted to implement the JCPOA. “Nuclear-related sanctions” are widely interpreted to mean sanctions on Iran’s core economic sectors (banking, energy, shipping, insurance, auto production, and other manufacturing), because the U.N. Security Council, in Resolution 1929 (June 2010), authorized member states to impose sanctions on those sectors in order to compel Iran to negotiate limitations on its nuclear program. To the extent that the possible sanctions discussed below target Iran’s core economic sectors, other parties to the JCPOA could view many of them as imposing new “nuclear-related” sanctions on Iran.

Sanctions tied to other issues, such as human rights or Iran’s sponsorship of terrorist groups, have not targeted Iran’s core civilian economic sectors and remain in force not only by the United States but by the European Union (EU) and other powers as well, although the effect these remaining sanctions have on Iranian behavior is widely assessed as limited. The existing or suspended sanctions discussed in this report are analyzed in substantially more depth in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

Even before Iran accepted modest curbs on its nuclear program in a 2013 interim nuclear accord (Joint Plan of Action, JPOA), the sanctions options discussed below did not receive broad international support and were not implemented. U.S. partners and other stakeholders are unlikely to impose many or all of the sanctions discussed below unless Iran is seen to have abrogated the JCPOA. The potential sanctions are materially different from - and many are more extensive than - those sanctions imposed on Iran from 2010-2016 and which were eased in the course of implementing the JCPOA. The imposition of such new sanctions would presumably have increased effect if they are enshrined in a U.N. Security Council resolution that would require member states to undertake such measures. Absent Security Council action, the United States could impose secondary sanctions aimed at compelling foreign entities to take the specified actions against Iran. However, U.S. attempts to compel action through secondary sanctions

would likely complicate U.S. relations with the parent governments of foreign firms and entities.

Some of the U.N. Security Council resolutions that were in effect before the JCPOA was implemented in January 2016—and were superseded by U.N. Security Council Resolution 2231—called on, but did not require, member states to undertake voluntary measures, such as exercising restraint on providing loans and other credits to Iran. Some of the possible additional Iran sanctions discussed below would make such measures binding.

### Possible Additional Sanctions

#### Sanctioning Iranian Profiteers and Human Rights

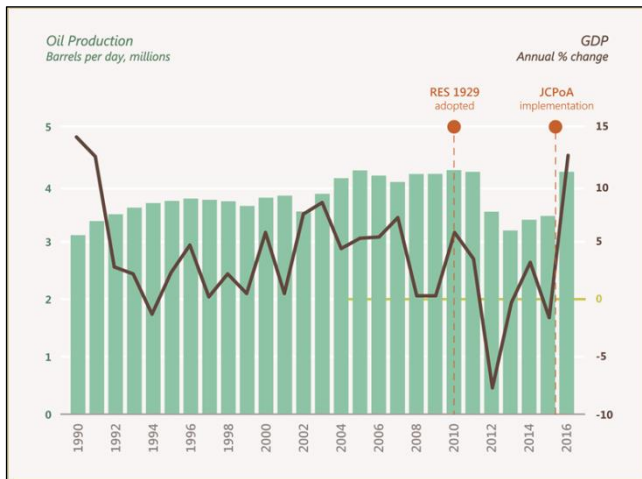
**Abusers.** Some experts believe that the international community, or even the United States alone, should more aggressively target Iranians who are exploiting any special privileges, monopolies, or political contacts for economic gain at the expense of average Iranians. In the context of the deaths of 21 persons during December 2017-January 2018 protests in Iran, Trump Administration officials have indicated they would back additional sanctions on Iranian human rights abusers and on foreign firms that help the Iranian government suppress social media and other communication outlets. There are already extensive U.S. and EU sanctions in place against Iranian human rights abusers. The most recent enacted, the Countering America’s Adversaries through Sanctions Act, signed on August 2, 2017 (P.L. 115-44) authorizes, but does not require, U.S. sanctions on persons responsible for gross violations of human rights in Iran. A provision of the Iran Freedom and Counter-Proliferation Act (Title XII, subtitle D, of the FY2013 National Defense Authorization Act, P.L. 112-239) imposes U.S. sanctions on persons determined to have engaged in corruption or diverted or misappropriated humanitarian goods or funds. Other countries, however, generally have not imposed any sanctions on Iran for corruption or profiteering. In addition, provisions of the Global Magnitsky Human Rights Accountability Act (title XII, subtitle F of the FY2017 NDAA, P.L. 114-328) could be applied to named Iranian human rights abusers and corrupt government officials.

**Sanctioning All Trade with Iran.** Some organizations, such as United against Nuclear Iran, as well as other experts, advocate restrictions on most trade and investment with Iran and continue to try to persuade firms not to do business with Iran. U.S. partners and many other countries have consistently opposed a global Iran trade ban or any U.S. measures that would try to compel firms from allied countries to end most general commerce with Iran.

**Comprehensive Ban on Energy Transactions with Iran.** Though short of a comprehensive global trade ban, a U.N.-mandated, worldwide embargo on the purchase of any Iranian crude oil would undoubtedly put significant

pressure on Iran's economy. A less extensive measure could ban all investment in and equipment sales to Iran's energy sector. During 2012-2016, the European Union (EU) banned imports of Iranian oil, and Iran's major oil customers in Asia sharply cut purchases from Iran. These countries undertook these steps in part to comply with U.S. secondary sanctions but also in part because of the view, articulated by their leaders, that economic pressure on Iran could compel it to bargain in earnest on limitations to its nuclear program.

**Figure 1. GDP Growth and Oil Production in Iran Before and After Sanctions Relief**



Sources: EIA; IMF

**Mandating Reductions in Diplomatic and Other Exchanges with Iran or Prohibiting Travel by Iranian Officials.** One option could be to impose a worldwide ban on travel by senior Iranian civilian officials, a pullout of all diplomatic missions in Tehran, and expulsion of Iranian diplomats worldwide. The EU reportedly considered this option after the November 2011 attack on the British Embassy in Tehran. This tool has recently been used in an effort to pressure North Korea on its nuclear and missile programs: in late 2017, the U.N. Security Council adopted a requirement for all member states to severely limit the number of diplomats, staff size, banking activities, and use of physical property of North Korean diplomatic facilities. A related option is to limit sports or cultural exchanges with Iran, such as Iran's participation in the World Cup soccer tournament or the Olympics. Whereas some observers assert that Iran should be isolated to the extent possible, many oppose using sports to advance political goals.

**Banning Passenger Flights to and from Iran.** An option is a worldwide ban on international passenger flights to and from Iran. Such bans have been imposed on other countries, including Libya for issues related to the 1988 downing of Pan Am 103 by Libyan agents. A variation of this idea could be the imposition of a ban on international flights by only Iran-owned airlines, or sanctions against airlines that are in joint ventures or codeshare arrangements with Iranian airlines.

**Restricting Lending to Iran by International Financial Institutions.** U.N. Security Council Resolution 1747 (March 2007) called for U.N. member states to exercise "restraint" on—but did not outright ban—international lending to Iran. The Resolution was superseded by U.N. Security Council Resolution 2231 when the JCPOA was implemented in January 2016 and thus no longer applies. The United States retains the sanctions that bar the United States from voting for such international lending, but the United States can be, and sometimes has been, outvoted in international lending institutions—allowing such loans to proceed. An option is for the U.N. Security Council to institute a mandatory ban on such international lending to Iran. Some U.S. groups advocate for the International Monetary Fund (IMF) to withdraw all its holdings in Iran's Central Bank and suspend Iran's membership in the body.

**Banning Official Credits for Trade Financing or Investment in Iranian Sovereign Debt.** Another option is to mandate a worldwide ban on official trade credit guarantees. U.N. Security Council Resolution 1803 (March 2008) called upon U.N. member states to "exercise vigilance in entering into new commitments for public provided financial support for trade with Iran, including the granting of export credits guarantees, or insurance..." However, few, if any, countries denied such credits to Iran until the adoption of U.N. Security Council Resolution 1929 (June 2010) that gave U.N. endorsement for worldwide sanctions on Iran's core economic sectors. A ban on investment in Iranian bonds reportedly was considered during Security Council debate on that resolution. Resolution 1929 was superseded by Resolution 2231 to implement the JCPOA.

**Restricting Operations of and Insurance for Iranian Shipping.** One option, reportedly under consideration during 2010-2016, was to impose a mandatory worldwide ban on provision of insurance or reinsurance for any shipping to or from Iran. Many of the world's major shipping insurers are based in Europe, and the EU banned such insurance during 2012-2016. A call for restraint in providing such insurance (non-mandatory) was contained in U.N. Security Council Resolution 1929. For comparison, the U.N. Security Council prohibits member states from insuring North Korea-flagged vessels, and further prohibits states from owning, leasing, operating, chartering, or providing certification services to North Korean vessels.

**Creating an "Iran Oil-Free Zone."** Prior to the EU imposition of a ban on oil purchases from Iran in 2012, experts were discussing the possibility of closing the loophole in the general U.S. ban on imports from Iran under which U.S. refiners could import oil that had some Iranian content because it is mixed with other countries' oils at foreign refineries. Although this is a sanction that the United States could implement unilaterally, EU and other countries might perceive such a step as deterring them from purchasing Iranian oil, and major buyers of Iranian oil might argue that it is inconsistent with the JCPOA.

**Kenneth Katzman**, Specialist in Middle Eastern Affairs

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