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U.S. Sanctions on Iran

Since the Islamic Revolution of 1979, the United States has used sanctions of various types as key tools of U.S. policy toward the government of Iran. The U.S. government uses sanctions to deter, constrain, and encourage change in the adversarial behavior of the Iranian regime, including its support for international terrorism, nuclear and missile development programs and proliferation activities, destabilizing regional interventions, and human rights abuses. Congress has played a leading role in shaping U.S. policy, enacting legislation to authorize and oversee successive Administrations' implementation of Iran-related sanctions. U.S. sanctions have adversely affected Iran's economy but Iranian government behavior remains a threat to U.S. interests and those of partners including Israel.

U.S. sanctions target persons (i.e., entities and individuals) inside or outside Iran whose actions benefit Iran's decisionmakers. **Primary sanctions** seek to restrict transactions that U.S. persons conduct with certain Iranian persons, prescribing civil and criminal penalties for U.S. persons who violate or evade those restrictions. **Secondary sanctions** seek to restrict transactions that *non-U.S. persons* conduct with certain Iranian persons, proscribing penalties such as blocking U.S.-based assets, prohibiting transactions with U.S. persons, limiting use of U.S. financial instruments, denying entry into the United States, and prosecuting sanctions violations and evasions.

U.S. sanctions on Iran are arguably the most extensive and comprehensive set of sanctions that the United States maintains on any country. Thousands of persons (Iranian and non-Iranian) have been designated for sanctions related to Iran. Reflecting the complex legal framework of U.S. sanctions on Iran, many persons have been designated under multiple authorities; designation under multiple authorities generally does not confer additional restrictions but may affect how sanctions may be lifted.

Background

The 1979 overthrow of the Shah (Iran's former ruler and a staunch U.S. ally) and establishment of the Islamic Republic initiated decades of animosity between the United States and Iran. Initially imposed to press for the release of U.S. Embassy staff taken as hostages in 1979, U.S. sanctions in the 1980s and 1990s evolved with the intention of compelling Iran to cease its support of acts of international terrorism (including its backing of militants linked to the 1983 bombings of the U.S. Embassy and Multinational Force barracks in Beirut) and its pursuit of chemical, biological, or nuclear weapons capabilities or advanced conventional weapons. After the public revelation in 2002 of previously undisclosed nuclear facilities in Iran, the United States and allies incorporated sanctions into

efforts to persuade Iran to agree to limit its nuclear activities. The U.N. Security Council, concerned about Iran's nuclear program, launched multinational sanctions in mid-2006, requiring member states to prevent trade with Iran in goods, services, and technology.

Congressional action has been critical in the development and expansion of U.S. sanctions on Iran. Congress authorized sanctions targeting Iran's proliferation activities beginning in 1992 and, in 1996, enacted landmark legislation mandating the first secondary sanctions on Iran on foreign firms involved in the development of Iran's oil resources (Iran has the world's third largest proven oil reserves). After the Iranian government's violent crackdown on mass protests over its disputed 2009 presidential election, Congress authorized sanctions on officials responsible for the crackdown and other human rights abuses. As international concern about Iran's nuclear program increased, Congress, beginning in 2010, increased the scope of U.S. sanctions, targeting Iran's oil exports and other economic sectors in a bid to deny the Iranian government financial resources and compel it to make policy changes. In enacting these authorities, Congress mandated that to waive or lift sanctions, the President must certify that Iran is meeting certain conditions, including that the Iranian government has ceased its support of international terrorism and its proliferation activities.

Joint Comprehensive Plan of Action (JCPOA)

Many experts attribute Iran's decision to enter into the 2015 multilateral agreement known as the JCPOA to the negative impact of sanctions on Iran's economy. As part of the JCPOA, Iran limited its nuclear activities and subjected them to additional international inspections and monitoring in return for relief from many U.S. and international economic sanctions. To implement the United States' commitments under the JCPOA, the Obama Administration revoked sanctions-related executive orders and exercised the authority to waive or lift sanctions related to Iran's nuclear program which the United States had imposed pursuant to various statutes. U.S. sanctions related to Iran's continued support for international terrorism, human rights abuses, and missile development remained in place. Opponents of the JCPOA questioned Iran's trustworthiness and criticized the agreement for not addressing those activities; Obama Administration officials argued that dealing with those Iranian activities would be easier in the absence of an Iranian nuclear threat.

In 2018, citing the limited duration of certain JCPOA restrictions and Iran's continued malign activities, the Trump Administration ceased U.S. participation in the JCPOA and reimposed all U.S. sanctions that had been eased pursuant to the JCPOA. These and other new

restrictions were part of a “maximum pressure” policy with the stated goal of compelling Iran to negotiate a new and expanded accord. Iran did not seek a new agreement under the Trump Administration and since 2019 has exceeded JCPOA-mandated limits on its nuclear activities.

Biden Administration Policy

Biden Administration officials sought to revive the JCPOA, but indirect U.S.-Iran talks broke down in mid-2022 amid a violent Iranian government crackdown on nationwide protests. Media reports in June 2023 indicated the United States and Iran had resumed diplomatic engagement aimed at lowering tensions and potentially securing unwritten, mutual understandings to manage issues including detained U.S. nationals, U.S. sanctions on Iran, and Iran’s nuclear program. In July 2023, Secretary of State Antony Blinken said, however, that “there is no agreement in the offing.” Any effort by the executive branch to restore the United States’ participation in the JCPOA or a new similar accord could trigger congressional review pursuant to the Iran Nuclear Agreement Review Act of 2015 (INARA, P.L. 114-17). The Biden Administration, meanwhile, has designated for sanctions hundreds of entities for their role in the illicit sale of Iranian oil, human rights abuses related to the crackdown on protests in Iran, the transfer of Iranian weaponry to Russia for use in Ukraine, and Iran’s wrongful detention of U.S. nationals.

Current Sanctions Landscape

U.S. sanctions on Iran **block Iranian government assets** in the United States, **ban nearly all U.S. trade** with Iran (except food and agricultural commodities, medicine, medical supplies, and humanitarian-related goods), and **prohibit foreign assistance and arms sales**. U.S. law authorizes sanctions targeting:

- Iran’s **energy sector**, including foreign corporations that invest in it and entities that buy, sell, or transport Iranian oil;
- Iran’s **financial sector**, including its Central Bank;
- Additional sectors of Iran’s economy, including **shipping, construction, mining, textiles, automotive, and manufacturing**, as well as entities that conduct transactions with, or otherwise provide support for, those sectors;
- **Arms trade to or from Iran**; and
- Many components of **Iran’s government** (including the **Supreme Leader** and the **Islamic Revolutionary Guard Corps, IRGC**), including entities that conduct transactions with or otherwise support them.

Beyond humanitarian exemptions, the U.S. Treasury has issued general licenses to authorize otherwise prohibited transactions for specific purposes, including the provision of telecommunications services and equipment to Iranians to circumvent their government’s attempts to cut off internet access.

Effects of U.S. Sanctions on Iran

Over the past decade, successive Administrations have characterized the effects, and effectiveness, of sanctions on

Iran’s behavior in different ways. Obama Administration officials described the 2015 JCPOA as proof of sanctions’ effectiveness. After withdrawing from the JCPOA and reimposing U.S. sanctions, Trump Administration officials asserted that the United States’ “maximum pressure” strategy was effective, citing the deterioration of various Iranian economic indicators. They also argued that denying resources to the Iranian government decreased its ability to finance its missile programs, international terrorism, and destabilizing regional interventions, key pillars of Iran’s foreign and defense policies. Iran has pursued those activities amid U.S. sanctions and their economic costs, though Iran’s defense budget has fluctuated, sometimes apparently linked to the economic impact of U.S. sanctions.

Iran’s leaders seek to mitigate the impact of sanctions through the development of what Supreme Leader Ali Khamenei has termed a “resistance economy.” Khamenei has stated that Iran must reduce its dependence on external actors and “build the economy from within.” Some in Iran who support reducing Iran’s economic linkages with the West also argue that doing so decreases Iran’s susceptibility to political pressure imposed via economic sanctions. U.S. sanctions may create incentives for Iran to further expand economic and military ties with China and Russia. China remains a major purchaser of Iranian oil, and Russia reportedly has sought to assist Iran with sanctions evasion.

Issues for Congress

In the 118th Congress, Members have proposed a number of Iran-related measures that would create additional sanctions authorities (e.g., the SHIP Act, H.R. 3774/S. 1829, to authorize sanctions on ports that offer services to ships carrying Iranian oil); others would direct the President to designate additional persons under existing sanctions authorities (e.g., the MAHSA Act, H.R. 589, which would direct the President to designate the Supreme Leader and other Iranian officials under human rights-related and other authorities). Members may also consider legislation to amend sanctions-related statutory authorities, including to remove or otherwise alter the conditions under which the President may waive or lift sanctions. Members may also consider revisiting INARA and assessing whether it encourages or impedes any future agreement with Iran.

More broadly, Congress could review the extent to which various types of sanctions have furthered U.S. policy goals toward Iran, including by consulting the reports that Congress has required the executive branch to submit on the implementation and impact of U.S. sanctions. Related questions may concern how, if at all, additional sanctions authorities or designations, particularly secondary designations, might impact Iranian government behavior and U.S. relations with third parties. Members may consider whether and to what extent other U.S. policy tools, perhaps used in combination with sanctions, can counter various threats posed by Iran.

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