Freedom House

RESTRICTING THE FLOW OF FUNDS TO IRAN'S REPRESSIVE REGIME

To support the Iranian prodemocracy movement and advance diplomatic goals, the United States and its partners must strengthen enforcement of sanctions.

By Patricia Karam | June 2024

Executive Summary

Iran is one of the most heavily sanctioned countries in the world, but it has spent decades perfecting the techniques of sanctions evasion, and enforcement by democratic powers has been lacking. The United States and its allies recognize the need to check Tehran's domestic repression and contain the mounting threats posed by Iranian nuclear enrichment, weapons exports to Russia, and cultivation of proxy militias in the region. Under current conditions, however, their diplomatic initiatives are unlikely to succeed.

The United States must develop a revised and improved policy on Iran, one with bipartisan support that will ensure sustained implementation. The foremost goal of such a policy would be to reduce the flow of funds to the Iranian regime, thereby weakening its ability to repress the prodemocracy movement, diminishing its role in regional and global conflicts, and incentivizing diplomatic concessions on the nuclear issue.

To strengthen enforcement of sanctions, the United States should work with democratic allies to ensure that their various restrictions are operating in harmony. They should identify Iranian entities' broader networks of front companies and intermediaries, monitor Iran's participation in non-dollar-denominated financial exchanges, and discourage its foreign trading partners, including China, from assisting or tolerating sanctions evasion.

Visa bans and asset freezes should be imposed on both higher- and lower-ranking Iranian regime personnel who are engaged in human rights abuses and corruption. The wealth and funding sources of regime officials, their family members, and their associates should be investigated to uncover hidden assets.

The United States should also specifically address Tehran's support for Russian aggression in Ukraine—imposing new sanctions on Iranian entities that are involved in the export of drone technology to Russia—and challenge the regime's grip on the domestic information space by communicating more effectively with the Iranian people.

A number of factors could limit the impact of these recommendations in practice. The upcoming US elections will influence the direction and implementation of Washington's Iran policy. The Iranian regime itself has grown more skilled at evading constraints, suppressing dissent, and securing cooperation from other autocratic states. Even if many of the measures prescribed here are adopted, they may only serve to hinder Tehran's most harmful actions and mitigate their global effects.

Background: A Pattern of Sanctions Evasion and Thwarted Diplomacy

The administration of US president Joseph Biden was quick to speak out and act in support of the Women/Life/Freedom protests, in which demonstrators across Iran turned out to challenge authoritarian rule after 22-year-old Jina Mahsa Amini was arrested by the morality police and killed in custody in September 2022. Nevertheless, it soon resumed quiet negotiations with the regime to limit Iran's nuclear program and, separately, to free wrongly imprisoned Americans in exchange for jailed Iranians and $6 billion in frozen assets. Agreement was eventually reached on the prisoner exchange in August 2023, but the disbursal of frozen assets was halted in the wake of the October 7 terrorist attack on Israel by the Tehran-backed Palestinian militant group Hamas.

The threat of Iran's nuclear advances since the United States withdrew from the 2015 Joint Comprehensive Plan of Action (JCPOA) in 2018 has remained a major concern of the Biden administration. The White House has pursued a new accord with Tehran that would restore international oversight of its nuclear energy program in exchange for sanctions relief. This priority became more salient in January 2023, when the International Atomic Energy Agency (IAEA) found traces of uranium enriched to nearly weapons-grade purity at 83.7 percent. Under the terms of the JCPOA, Iran could only enrich uranium to 3.67 percent, but it had since engaged in nuclear escalation, enriching first to 20 percent and then to 60 percent purity, despite the Biden administration's diplomatic overtures. The latest advance meant that Tehran could produce enough weapons-grade uranium for one nuclear bomb within two weeks. The Iranian regime has simultaneously benefited from growing cooperation with Moscow, receiving a steady supply of military components and aid in return for thousands of armed Iranian drones and missiles to be deployed against Ukraine.

Even as authoritarian repression inside Iran continued in 2023, Washington intensified its efforts to reach a truce with the regime that would contain the mounting threats posed by Iranian nuclear enrichment and weapons exports to Russia. In May of that year, US national security advisor Jake Sullivan underscored the need to explore diplomatic avenues that would provide a long-term solution to Iran's nuclear program, but he also suggested the possibility of a new pathway toward a stopgap measure. In truth, for diplomacy to succeed under present conditions, the United States and its partners would need to make major concessions on the lifting of sanctions and tolerate the continuation of Iran's ballistic missile program, a red line for the regime.

Iran is one of the most heavily sanctioned countries in the world,[1] but it has had decades to perfect techniques for sanctions evasion, developing finance and trade networks that handle sanctions-evading transactions worth at least tens of billions of dollars annually. The regime's robust strategy for illicitly circumventing sanctions is underpinned by intensified collaboration with and support from Moscow and Beijing, and it has established more overt trade relationships with "neutral" countries like India, Iraq, and the United Arab Emirates (UAE). This multilayered system is used by Iranian companies to evade controls and conduct regular business abroad, ensuring that the economy continues to be productive. Government data from April to June 2022 recorded growth of 3.8 percent, and at the end of 2022, Iran's oil exports averaged between 810,000 and 1.2 million barrels per day, compared with 2.5 million in 2018 before post-JCPOA sanctions were in place. Iran's foreign trade volume, excluding oil exports, was as high as $100 billion last year. On July 6, 2023, Iranian oil exports reached a five-year high of 1.6 million barrels per day. This resilience has unfortunately been facilitated by a lack of rigorous sanctions enforcement, especially against those who continue to purchase Iranian oil.

Decades of sanctions circumvention have had serious consequences for domestic governance in Iran, adding to the opacity of state institutions and deeply embedding political and administrative corruption that takes the form of clientelism, patronage appointments, smuggling, money laundering, and other dubious activities, all with some degree of official approval. Clientelism was entrenched very early in the regime apparatus, which distributed goods and jobs through hierarchical organizations to nurture loyalty and mobilize mass support. These entities include the bonyads—wealthy religious foundations controlled by the supreme leader—and the Basij, a paramilitary militia force operating under the command of the Islamic Revolutionary Guard Corps (IRGC). The IRGC itself is now positioned at the center of Iran's kleptocracy and controls a network of nonstate organizations and private companies in a range of sectors, including defense contracting, oil, gas, telecommunications, and construction, through which regime insiders embezzle funds. The IRGC effectively has a stranglehold on the economy, dominating profitable industries that enrich the ruling class while using its primary role in the security and intelligence sphere to foster smuggling and sanctions-evasion networks.

The IRGC's elite Quds Force is responsible for cultivating proxy militias and allies—the "axis of resistance"—in countries across the region. The Quds Force not only provides arms, training, and strategic guidance to these groups, but also develops legitimate and illicit sources of financing for its operations. Hamas's October 2023 attack on Israel and the increased belligerence of other Iranian proxies—such as Hezbollah in Lebanon and the Houthis in Yemen—has brought new scrutiny to the broader threat posed by this network.

A rethinking of US policy on Iran is urgently needed to decrease the sustainability of the regime's harmful domestic, regional, and nuclear activities. The US administration will have to improve its efforts to constrain Tehran, especially through more diligent and effective sanctions enforcement.

Major shifts in the global order have already occurred, the most important of which is the emergence of a group of authoritarian partners—including Russia, China, Iran, and North Korea—that are increasingly taking coordinated actions in direct opposition to US and democratic interests. This new reality should inform a revised and improved US policy on Iran and spur bipartisan support for its sustained implementation, no matter which party is in power in Washington. The foremost goal of such a policy would be to reduce the flow of funds to the Iranian regime, thereby weakening its ability to repress the prodemocracy movement, diminishing its role in regional and global conflicts, and incentivizing diplomatic progress on the nuclear issue.

POLICY RECOMMENDATIONS

The following recommendations for the United States and its democratic partners would reduce the flow of funds to the Iranian regime, constraining its ability to repress democratic actors and freedoms at home and abroad and increasing its incentive to make diplomatic concessions.

Strengthen and Harmonize Sanctions, Redouble Enforcement Efforts

- **The United States should work with allies, especially the United Kingdom (UK) and the European Union (EU), to ensure that the various sanctions architectures are working in harmony, with additional emphasis placed on the exposure of Iranian networks operating in Europe.** Iran is subject to a combination of US, UK, and EU sanctions targeting its nuclear and ballistic-missile programs and its human rights violations. These sanctions regimes are at times complementary or redundant, but they have largely not been harmonized.[2] To present a united front in its efforts to counter abuses of the global financial system—and place greater pressure on countries known for weak compliance, such as the UAE, Turkey, and China—Washington should improve its sanctions collaboration with other democratic governments, especially in European jurisdictions. The effort should focus on functionality and the establishment of a multilateral common floor on (1) export controls, (2) designated persons and prohibited transactions, and (3) due diligence methodology. The United States and willing partners could depart upward from the common floor, but all participants would agree not to depart downward. This would require a good degree of compromise on the severity of sanctions imposed, as well as intelligence sharing. Certification and attestation are especially important here, as is a solid confidence-building measure to test the waters with more reluctant jurisdictions. One recent step toward the construction of a common floor was the coordinated US and UK decision to impose sanctions on entities and individuals that were enabling Iranian drone production, which came in response to Tehran's April 2024 missile attack on Israel. Multilateral coordination among governments with targeted human rights–related sanctions regimes will also prevent sanctioned individuals from evading the penalties' effects by exploiting gaps in enforcement. There is a need for renewed emphasis on exposing evasion networks operating in Europe, urging Commonwealth countries to update their target lists, and applying enforcement pressure wherever the barriers for adding new targets are lower.
- **Enforcement of current sanctions should continue to prioritize IRGC entities and individuals active in key sectors of Iran's economy and should keep up with the appointment of new leaders at sanctioned institutions.** Prominent examples of entities that need to be effectively sanctioned include Khatam al-Anbiya, which serves as the IRGC's construction arm,3 and the National Iranian Oil Company.4 In addition to holding current leaders accountable, such vigorous enforcement enables Washington to potentially deter future violations by the next set of appointees. In the same vein, Washington should urge the UK and the EU—for which Iran remains a trading partner—to add the IRGC to their lists of terrorist organizations. The UK government has been facing pressure, since Tehran's attack on Israel, to consider such a move, despite having already imposed sanctions on the IRGC and connected officials. A terrorist designation would have potent effects, as much of the regime's business activity is controlled by the IRGC. Canada announced such a designation in late June 2024.
- **Governments should use sanctions on key Iranian institutions to map and identify broader networks for further enforcement.** By imposing sanctions on state institutions or other entities rather than just on individual officials, democratic states can more effectively track the regime's organizational machinery and inform future designations that reach less obvious or less visible perpetrators of repression. The resulting analysis, when provided to other governments, can help launch enforcement proceedings more swiftly, for example if designated individuals or their colleagues at designated entities travel to countries where they are not yet sanctioned.

- **Democratic authorities should target the networks of front companies and intermediaries that allow sanctioned Iranian entities to do business.** Front companies are not easy to set up: the process can take years and large amounts of money. Every time they are designated for sanctions, however, their operational costs increase, necessitating yet another layer of front companies. An effective enforcement strategy would also seek to change the calculations of intermediaries doing business in high-risk jurisdictions and encourage them to put more effort into sanctions compliance, though democracies should take care not to harm Iranian civilians by inadvertently reducing their access to vital goods and services. Chinese teapots—privately owned Chinese petrochemical refiners that, as the largest buyers of illicit Iranian crude oil, have greatly aided Iran's sanctions evasion—should themselves be sanctioned. Designed specifically for this trade, the teapot companies reportedly unload Iranian oil via reflagged vessels that represent themselves as carrying crude from Oman or Malaysia, and help to obscure the Chinese government's role in sanctions evasion.
- **The United States and its partners should intensify their efforts to identify and sanction all vessels transporting Iranian petroleum in violation of existing sanctions.** The Iranian regime has carefully exploited shipping lanes, production facilities, and trading hubs in the Persian Gulf to conceal its oil exports to China. The oil is typically stored and transported in large tankers whose names and identification codes are changed to hide their identity, and the vessels' crews often disengage their Automatic Identification Systems (AIS) to conceal their movements. Other tactics include moving oil through ship-to-ship transfers at sea, and blending Iranian crude with oil from other countries within a given ship's hold, making it difficult to detect the presence of contraband. Iran has significantly expanded its fleet of tankers under foreign flags that obscure Iranian ownership, and sanctions enforcement efforts have not caught up. In a July 14, 2023, letter to Secretary of State Antony Blinken and Treasury Secretary Janet Yellen, eight US senators noted that Iran's ghost fleet of sanctions-evading tankers had grown from 60 vessels in 2021 to 338 at the time of writing. The administration, however, has only imposed sanctions on a small minority of the ships. **The administration should ensure that sanctions are imposed both on tankers carrying Iranian oil, limiting their ability to refuel or receive repairs in most ports, and on the ships' owners and support facilities, if they are knowingly engaged in sanctions evasion.** Continued pursuit of these shipping networks, ports, and port authority providers will further increase the cost and difficulty of oil shipments for the Iranian regime.
- **The cadence of sanctions designations should be increased in order to create a climate of deterrence among Iran's trading partners.** The focus of the sanctions should remain on key nodes of the Iranian economy, such as energy, petrochemicals, mining, metallurgy, construction, and telecommunications. However, the risk of potential penalties should extend to actors such as buyers of sanctioned Iranian oil, those linked to industries that finance this trade, or participants in the networks that resell, transfer, refine, or store the crude in question. Democratic governments should adopt the practice of naming and shaming companies that continue to do business with Iran, especially those based in Europe.

Pressure Hubs of Illicit Finance

- **The United States should continue to monitor and warn countries that are known to assist or tolerate the Iranian regime's sanctions evasion and illicit trade.** US authorities should identify all entities involved in such trade, and make clear to their governments that Washington will enforce sanctions on everyone involved. While China is the top destination of Iran's petrochemical products, the UAE, Turkey, and Iraq continue to serve as hubs for illicit finance and critical waystations that enable Iranian entities to access third-country markets. Absent behavioral change, it will be important to raise the cost of illicit transactions with Iran by creating disincentives for regional actors that are also US partners, and by leaning more heavily on governments that turn a blind eye toward transgressions. Such states need to be pressured into strengthening financial transparency in particular, as this will disrupt money laundering as a means of sanctions evasion.
- **The United States should be alert to the development of non-dollar-denominated financial systems and the ways in which they allow for circumvention of sanctions.** The growing trend toward alternative currencies and the embrace of non-dollar systems—specifically those based on China's yuan—for major transactions brings with it the potential erosion of Washington's influence and enforcement powers with regard to trade sanctions. For example, both Argentina and Pakistan utilized the yuan this year for government-to-government transactions. In 2022, Brazil and China announced a $150 billion agreement to conduct trade using their own currencies for settlement and financing, and the yuan has become Brazil's second-largest international

reserve currency. Regional groupings like the Association of Southeast Asian Nations and the BRICS club are considering similar arrangements and luring new countries to follow suit. The potential for yuanization is also increasing due to China's forays into Middle East markets and Beijing's pursuit of other strategies to minimize its economic exposure to the dollar. The Shanghai Cooperation Organization, led by China and Russia, has sought to expand trade in local currencies and develop alternative payment and settlement systems. The Asian Clearing Union—involving the central banks of India, Iran, Pakistan, Bangladesh, Bhutan, Maldives, Myanmar, Nepal, and Sri Lanka, and currently chaired by Iran—agreed last year to launch a new cross-border financial messaging system as an alternative to the dominant Society for Worldwide Interbank Financial Telecommunication (SWIFT), mirroring what some of these countries have been doing on an individual basis. In January 2023, Russia and Iran floated a gold stable coin (a digital financial asset backed by gold) to challenge the US dollar, and the two regimes, in a sign of their solidifying partnership, are now combining their banking systems and creating a new payment mechanism to avoid being banned from SWIFT. Currently only 10 percent of Iran's trade is conducted in dollars, and the government is looking to make further progress toward using local currencies: already some 80 percent of the trade between Iran and Russia is conducted in their national currencies.

- **The United States and its partners should appeal to China's economic interests as a means of securing Beijing's cooperation on Iran, especially if nuclear talks resume.** The United States has certainly been China's most important economic counterpart, and to the extent that the two treat each other as unique peers, the relationship plays an important role in affirming Beijing's self-image as a global superpower. The stakes of the Chinese government's relations with Tehran are much lower by comparison, particularly given the asymmetry between those two countries. Beijing has displayed a good dose of pragmatism with regard to Iran, taking care not to antagonize Washington, for example by not releasing some $20 billion in frozen Iranian assets. It wants to be seen as a responsible global actor, meaning it could be sensitive to naming and shaming over its involvement in Iran's sanctions evasion. And because China's primary interests in the Middle East are oil extraction and other economic pursuits, there is a deep preference in Beijing for stability. Iranian efforts to upset the region's status quo, through support for Hamas, the Houthis, and other militant groups, are therefore at odds with China's goals. The United States, emphasizing this fact, should press Beijing to both rein in Tehran's destabilizing behavior and seek more reliable sources or partners to meet China's energy needs.

Reinforce Penalties for Human Rights Violations, Expose Regime Assets

- **US sanctions implementation should remain part of a comprehensive strategy of accountability for human rights abusers and corrupt officials.** This strategy will be most effective if Washington operates in coordination with democratic allies, as in March 2023, when the United States, the UK, the EU, and Australia imposed joint sanctions on more than a dozen Iranian government and security officials, business leaders, companies, and state institutions for human rights abuses against women and girls. Sanctions should furthermore be extended beyond the most obvious targets so as to reach more obscure individuals and institutions that contribute to Iran's sprawling machinery of repression. For example, the EU and the UK, but not the United States, have imposed sanctions on the Supreme Council of the Cultural Revolution, an unelected body that answers exclusively to the supreme leader, Ayatollah Ali Khamenei, and is responsible for the morality police. Other targets might include former regime leaders who continue to materially support Iranian government officials engaged in human rights abuses and corruption. In addition, an Iran-specific asset recovery program could be instituted. Like the recently adopted Rebuilding Economic Prosperity and Opportunity (REPO) for Ukrainians Act, or existing measures like the Justice for Victims of Terrorism Act, such a program would create a framework for the seizure and repurposing of Iranian sovereign assets to benefit victims of Iranian human rights abuses.

- **Visa bans and asset freezes should be imposed on both higher- and lower-ranking Iranian regime personnel who are engaged in human rights abuses and corruption, and should be coordinated with allies.** Targets for such restrictions may include—depending on their culpability—IRGC officers, officers in Iran's other armed forces, members of Iran's law enforcement agencies, and officials in the state's executive, legislative, and judicial branches. While the uppermost leadership should not be excluded, democratic governments should also ensure that lesser-known perpetrators are identified and held accountable, as when Canada imposed sanctions on a former Tehran police chief who was responsible for the death in custody a Canadian photojournalist.

- **The wealth and funding sources of regime officials, their family members, and their associates should be investigated to uncover hidden regime assets.** An asset recovery task force, similar to the US Department of Justice's Task Force KleptoCapture, should be launched with the goal of enforcing sanctions as well as hunting down and seizing corrupt Iranian regime officials' foreign assets. As of early 2023, KleptoCapture had seized more than $500 million from business magnates aligned with the Russian regime. It has also brought charges against at least 35 individuals and corporate entities whose corruption was aiding the Russian war machine. Enforcement in this case should focus on big-ticket items that were obtained with the proceeds of corruption, like luxury yachts and residences, but also on those individuals and companies that enable regime figures to hide wealth and evade sanctions.

Increase the Cost of Tehran's Support for Russian Aggression in Ukraine

- **The United States and its allies should impose new sanctions on Iranian entities involved in the export of drone technology for use in Moscow's invasion of Ukraine.** The targets could include those previously sanctioned under authorities related to weapons of mass destruction, given the expiration of related UN sanctions in October 2023. Since the Kremlin's massive attack on Ukraine in early 2022, Tehran and Moscow have developed a full-fledged defense and economic partnership, and Iran has become a key supplier of military components and aid to Russia. The closer relations have not only bolstered the Russian regime's war effort, but also magnified Iran's military and economic capabilities in the region. Iranian state actors have transferred military equipment and helped Russia build drone-manufacturing plants of its own, while Russian officials have supplied money and support for Iran's ballistic missile program. Russia has now supplanted China as Iran's biggest foreign investor. As sanctions tighten on Russia, Iran will become an important hub for Russian actors' evasion tactics. In fact there is increasing evidence of financial and trade system adaptations that have allowed Iran to support Russia's economy in defiance of sanctions. Most notably, the two countries have linked their banking systems so as to conduct business without resort to the US financial system. Some 700 Russian banks and 106 non-Russian banks from 13 countries have been incorporated into this network. Given the threat posed to European security by the Russian-Iranian strategic partnership, the United States should make a special effort to coordinate its enforcement actions with the UK, the EU, and other allies. In addition, the democratic coalition should undertake a campaign to publicize the Iranian contributions to the war in Ukraine and the ways in which Russian involvement in Iran is hurting ordinary Iranians.

Accelerate the Dissemination of Factual Information

- **The United States should revitalize the use of State Department Farsi-language social media channels to maintain communication with the Iranian people.** The Instagram account USAbehFarsi, for example, draws most of its engagement from inside Iran. Such platforms could be leveraged to counter regime propaganda with factual information, and to explain the rationale and public-interest stories behind each US decision to sanction an Iranian individual or entity. US public diplomacy to date has consisted mainly of programming from Voice of America and Radio Free Europe/Radio Liberty's Radio Farda, leaving ample room for growth. The current effort is especially wanting in comparison with the sophistication and ubiquity of the Iranian regime's domestic information campaigns. Stronger and more consistent direct communication and public diplomacy efforts on existing US-backed platforms, as well as on other, diaspora-funded platforms such as Iran International and Manoto, will be needed to sustain an authentic connection with the Iranian people.

- **The more robust communication should be employed to name and shame regime officials, allies, and businesses; to expose corrupt practices; and to shine light on human rights abuses.** Such forceful public diplomacy efforts should integrate efforts to map IRGC networks and front companies that are active in strategic sectors of the economy. Identifying those affiliations would help deter others from doing business with the IRGC, both in Iran and abroad. The use of media, social media, and mobile applications with high rates of engagement by Iranians (Telegram and Instagram rather than X and Facebook), combined with the promotion of tools for circumventing regime internet filtering and surveillance, would further boost the reach of any public diplomacy campaign. Highlighting human rights abuses and exposing corruption in Iran to larger audiences would underscore US and international support for Iranians' democratic aspirations and simultaneously make it harder for the regime to tune out criticism.

Create a Bipartisan Consensus in the

United States

- US policymakers should build bipartisan support for a long-term strategy on Iran. For most of the last decade, US and European foreign policy toward Iran has been refracted through the prism of the JCPOA, leading to an intense US partisan divide over how best to confront Iran: Democrats have tended to defend the 2015 agreement and advocate renewed diplomacy, while Republicans have backed the 2018 withdrawal and focused almost exclusively on coercive measures. Tehran's supporting role in the ongoing conflict in Gaza should act as a wake-up call, demonstrating the need for a coherent, long-term, bipartisan Iran strategy that leverages the combined tools of foreign policy, including information campaigns, diplomacy, sanctions, and military deterrence. One way of building political consensus for such a policy would be to create a bipartisan committee in Congress, similar to the existing panel focused on China, and task it with monitoring and addressing a range of economic, security, foreign policy, and human rights issues related to Iran. Such a committee might also be called upon to develop a framework that defines, for example, the goals of the Iran sanctions program, as an exercise in bipartisan collaboration and a spur for agreement on next steps.

Conclusion: Managing Expectations

It is important to keep in mind certain realities that could limit the effectiveness of these prescriptions and recommendations.

The upcoming US legislative and presidential elections may influence the direction and implementation of Washington's approach toward Tehran in unpredictable ways. Meanwhile, the Iranian regime's long-standing policy of "strategic patience," its increasingly autocratic character, its growing bilateral partnerships with alternative and rogue powers, and the enhanced sophistication of its sanctions-busting tactics have all diminished the potency of international constraints on its behavior.

These factors, together with changes to the geostrategic order occasioned by the Russian invasion of Ukraine, are contributing to the development of an international system that bypasses the United States and further imperils democratic norms. Though insufficient to deter or suppress the Iranian regime's malign activity to date, existing US-backed measures against Iran and its partners, including their networks of sanctions evaders, are likely encouraging greater rapprochement and coordination among autocratic powers like China and Russia, which have a shared interest in reducing their dependency on dollar-denominated trade and financial systems. Any intensification of sanctions enforcement therefore needs to be weighed against the potential erosion of US leverage and influence over international trade and finance.

Under such circumstances, US policy priorities may have to be based on an understanding that, rather than coercing and containing the Iranian regime, Washington and its allies will only be able to hinder its harmful actions and mitigate their global effects.

Endnotes

1 Iran has been subject to US economic sanctions, in one form or another, since November 1979. The initial sanctions, responding to the November 4, 1979, seizure of US diplomatic personnel as hostages during that year's revolution, expanded in scope over the next three decades as the Islamic Republic partnered with terrorist groups targeting Americans, accelerated its nuclear program, and violently repressed domestic and regional opposition to its regime. As of this writing, 11 US statutes and 14 Executive Orders imposed some form of prohibition regarding transactions specifically involving Iran. Iranian persons and entities, furthermore, have been designated pursuant to at least 11 additional sanctions mechanisms that do not specifically target Iran, including those related to cybercrime, North Korea, Syria, Russia, election interference, terrorism, human rights, transnational crime, and hostage-taking.

The US Department of Treasury's Office of Foreign Assets Control (OFAC), in coordination with the US Department of State and other agencies, currently maintains the US sanctions programs targeting Iran and Iranian persons or entities. The broadest of these sanctions are so-called "comprehensive" sanctions, which generally prohibit US persons from undertaking any direct or indirect transactions involving Iran or its government. The United States also maintains "sectoral" sanctions, which prohibit US persons from transacting with various sectors of Iran's economy (for example, steel and mining); "list-based" sanctions, which impose asset freezes on certain designated Iranian persons, entities, and vessels; and "secondary" sanctions, which principally target foreign financial institutions that conduct or facilitate certain "significant transactions" with Iranian persons or entities. Relatedly, the US Department of Commerce's Bureau of Industry and Security (BIS) maintains manifold special export controls that are tailored to effectuate a comprehensive trade embargo of Iran.

Among the chief targets of US sanctions is the IRGC, a special military body responsible for defending the regime against internal and external threats. In part due to its capacious mandate, the IRGC has become deeply ensconced in Iran's "Resistance Economy," structured to frustrate US sanctions. Through shadowy financial and maritime networks, "charitable foundations," and front companies, the IRGC aims to circumvent the US and allied arms embargoes, trade and investment bans, and asset freezes that form the core of US sanctions. Many of the US sanctions promulgated and enforced in the past six years are calibrated to disrupt and degrade the IRGC's economic influence and, with it, the shadow banking system of front companies and exchange houses that facilitate foreign trade for sanctioned Iranian entities.

The EU has also imposed a wide range of economic and financial sanctions on Iran, including restrictions on trade in goods such as arms and petroleum products, and asset freezes targeting Iran's Central Bank and other major Iranian commercial banks as well as certain other malign actors. For example, restrictive EU measures related to grave human rights violations—which apply to a total of 227 individuals and 42 entities (many linked to the IRGC)—include asset freezes, immigration restrictions and visa bans for the individuals and entities responsible, and a prohibition on the export of equipment that might be used for internal repression.

The UK, whose initial sanctions regime for Iran was limited to encouraging the government to cease violating various human rights obligations, recently expanded its approach by adding criteria for sanctions that include fomenting instability in the region, spreading weapons, undermining democracy and rule of law, and threatening UK persons and property. The UK has also designated the IRGC under its sanctions mechanisms related to nuclear and ballistic-missile proliferation, subjecting it and several related entities to an asset freeze, and London is reportedly debating whether to proscribe the IRGC as a terrorist organization.

2 Pursuant to the JCPOA, Tehran pledged to abandon or halt certain aspects of its nuclear program in exchange for relief from multilateral and unilateral sanctions imposed by, in relevant part, the United States and the EU and UK. Both the halting of nuclear efforts and the sanctions relief were scheduled to take place in stages over the course of several years. First, on the agreement's "Finalization Day" (July 14, 2015), Iran and the "P5+1" group—an EU high representative plus the five permanent members of the UN Security Council: the United States, France, Germany, the UK, China, and Russia—endorsed the JCPOA; shortly thereafter (July 20, 2015), the UN Security Council adopted Resolution 2231, also endorsing the JCPOA and providing for the staged termination of UN sanctions targeting Iran. Then, on "Adoption Day" (October 18, 2015), Iran, the EU and its member states, and the United States began the issuance of the national regulations and related licenses that were necessary to uphold their JCPOA commitments. Next, on "Implementation Day" (January 16, 2016), Iran suspended the bulk of its uranium enrichment and associated centrifuge development, while the United States and the EU and UK

terminated or suspended the bulk of their nuclear-related sanctions and removed certain persons and entities from their respective sanctions lists.

The JCPOA's "Transition Day" was scheduled to occur upon the earlier of either eight years after "Adoption Day" (that is, October 18, 2023) or the issuance of an IAEA report concluding that "all nuclear material in Iran remains in peaceful activities." On "Transition Day," the United States and the EU and UK were to terminate or suspend their missile- and nuclear-related sanctions and delist additional persons and entities that had been subject to restrictions; the UN Security Council, likewise, was scheduled under Resolution 2231 to terminate its sanctions targeting Iran, which had been in place in one form or another since 2006. However, owing to Iran's continued nuclear development, the IAEA was unable to conclude that all nuclear material in Iran remained in peaceful activities before the eight-year deadline lapsed. The United States, for its part, had already ceased its participation in the JCPOA in 2018. The EU and UK, in response to what the UK termed "Iran's serious and escalating noncompliance with the JCPOA since 2019," opted to maintain restrictions under their respective Iran sanctions regimes after October 2023.

3 A brigadier general, Abdolreza Abed, was recently appointed as the new head of Khatam al-Anbiya. He was added to the OFAC's list of Specially Designated Nationals on September 15, 2023.

4 In 2021 Mohsen Khojasteh-Mehr replaced Masoud Karbasian as managing director of the National Iranian Oil Company. Unlike his predecessor, the new director has not been sanctioned to date.