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# Achievements of and Outlook for Sanctions on Iran

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## Summary

Most experts agree that the multilateral sanctions imposed on Iran since 2010 have contributed significantly to producing flexibility in Iran's position on the scope of its nuclear program. There is similar agreement that the effect of sanctions on Iran's foreign policy—particularly on its core interests in the Middle East region—and on its human rights practices, appear to have been minimal to date. In assessing effectiveness, however, it is difficult to separate the effect of sanctions from other variables such as Iran's purported economic mismanagement, attitudes of the Iranian public, and Iranian politics.

### **Interim Nuclear Deal of 2013**

Sanctions have been eased temporarily under an interim nuclear deal of November 2013 ("Joint Plan of Action," JPA), which included a commitment from the United States to impose no new nuclear-related sanctions for the JPA period (until July 20, 2014). Virtually any next step in U.S. and multilateral sanctions on Iran is likely to depend on the course of negotiations for a comprehensive agreement on Iran's nuclear program. Opinion in the United States on the future course of Iran sanctions is deeply divided. As Congress has been an active proponent of sanctions on Iran for many years, it will remain keenly interested in the future direction of Iran sanctions policy.

### **Proponents of Additional Sanctions**

While negotiations on a comprehensive nuclear settlement are going on, some assert that additional sanctions would reinforce the pressure that appears to have encouraged Iran to accept the JPA and increase Iranian willingness to reach an acceptable permanent settlement. Proponents of increased sanctions maintain that additional sanctions will also prevent an erosion of existing sanctions caused by a perception that the JPA has ended Iran's international isolation.

### **Critics of Additional Sanctions**

Critics of this approach maintain that additional sanctions imposed while comprehensive nuclear settlement talks are in progress would reinforce hardliners in Iran who oppose a nuclear agreement with the United States out of distrust of U.S. intentions. Adding sanctions could also cause U.S. partners to separate their Iran policies from those of the United States—particularly if there is a collapse in the negotiations that appears to stem from what others consider to be excessive U.S. demands. Alternatively, a failure of negotiations that is attributed to Iran's unwillingness to accept seemingly reasonable offers would likely lead to a broad international increase in sanctions on Iran.

### **The Joint Plan of Action and Additional Future Possibilities**

The JPA commits the Administration and its negotiating partners to lifting "nuclear-related sanctions" on Iran if there is a comprehensive nuclear deal. Because of the substantial overlap between nuclear related sanctions and those imposed primarily because of other issues, in practice that represents a commitment to broad sanctions relief. Those who support that commitment maintain that Iran will not have the incentive to agree to a permanent settlement unless there is the prospect of substantial sanctions relief. Critics of this view argue that broad sanctions relief will provide Iran even more resources with which it can support militant movements that oppose

U.S. interests in the Middle East, and will not likely compel Iran to conform to international standards of human rights practices.

The future course of Iran sanctions could also be affected by Iranian actions that are unrelated to the nuclear talks. Such actions might include a crackdown against any new popular unrest in Iran, a catastrophic terrorist attack by one of Iran's regional allies, expanded Iranian military intervention in Syria, or a power shift in Iran back toward opponents of a nuclear settlement.

Underlying these debates is a lack of consensus over what would constitute an acceptable final nuclear settlement. On the nuclear issues, some argue that any settlement must result in full dismantlement of Iran's nuclear program. The Administration has indicated in the JPA that it might accept an outcome that allows Iran to retain a limited and extensively monitored uranium enrichment program.

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## Introduction

This report analyzes the effect that sanctions have had in contributing to the achievement of U.S. objectives on Iran and analyzes several scenarios that might affect whether sanctions are eased or increased, or that might affect the effectiveness of the sanctions. The report briefly reviews the imposition of sanctions, both by the United States and the international community, and discusses their stated objectives.

Sanctions are one component of a broader U.S. and international policy toward Iran. It is not possible to clearly or definitively distinguish the effect of sanctions on Iran from the effect of other policy tools that have been employed. In addition, there are many other variables that might shape Iran's behavior, including Iranian decision making, the outcome of Iranian elections, and Iranian financial management and business negotiating style.

The report refers to various U.S. sanctions laws and Executive Orders implementing those laws. A detailed description of the provisions of these laws and Orders is included in other CRS reports: CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman, and CRS Report R43311, *Iran: U.S. Economic Sanctions and the Authority to Lift Restrictions*, by Dianne E. Rennack. For information on the Iranian nuclear program and related negotiations, see CRS Report R40094, *Iran's Nuclear Program: Tehran's Compliance with International Obligations*, by Paul K. Kerr, and CRS Report R43333, *Interim Agreement on Iran's Nuclear Program*, by Kenneth Katzman and Paul K. Kerr.

## Review of Sanctions Imposed

The sections below discuss U.S. and multilateral sanctions imposed during each period as well as the stated or implied objectives of the sanctions imposed. Many of the sanctions imposed against Iran have had multiple purposes; the primary purposes of each were determined through analysis of Administration statements, legislative history of sanctions imposed by law, and the content of the specific provisions.

### U.S. Sanctions: 1979-2006

From the time of the 1979 Islamic revolution until 2006, the United States was the only major power that imposed substantial economic sanctions against Iran. For most of this period, Iran's nuclear program was at an early stage of development and not an overriding factor in U.S. policy. Until 1996, most of the U.S. sanctions imposed applied to U.S. firms, with the objective of shutting Iran out of the large U.S. market. Because other countries did not enact similar sanctions, many U.S. sanctions imposed after 1996 were intended to compel foreign countries and foreign firms to choose between dealing with Iran and accessing the U.S. market. A key example of this type of "secondary sanction" was the Iran Sanctions Act of 1996, which has been expanded significantly through legislative amendments.

The sanctions imposed on Iran in this period had two main stated purposes:

*Reducing Iran's Support for Terrorism:* First and foremost, the United States sought to dissuade Iran from supporting groups that the United States characterized as terrorist organizations, such as Lebanese Hezbollah and the Palestinian Islamist organization Hamas. Sanctions imposed to accomplish that specific objective were primarily those triggered by Iran's designation in January 1984 as a "state sponsor of acts of international terrorism." That designation triggers multiple U.S. sanctions, such as restrictions on U.S. exports and foreign aid, under various laws and Executive Orders. In May 1995, President Clinton issued Executive Order 12957 to ban U.S. firms from trading with and investing in Iran. The Administration stated the ban was justified by Iran's support of terrorist groups and its efforts to develop a civilian nuclear power capability—at that time limited to contracting with Russia to complete a civilian nuclear reactor at Bushehr.<sup>1</sup> Executive Order 13224 of September 2001, which blocks U.S.-based property of entities determined to have provided support for acts of international terrorism, was issued primarily as a response to the September 11, 2001, attacks on the United States by the Al Qaeda organization. However, it subsequently has also been applied to Iranian and Iran-supported organizations and persons.

*Reducing Iran's Strategic Capabilities.* Several laws passed and Executive Orders issued during this time-frame were intended to reduce Iran's ability to acquire advanced conventional weaponry or equipment that could be used in actual or potential weapons of mass destruction (WMD) programs. The "state sponsor of terrorism list" designation had prevented Iran from obtaining U.S. arms and WMD-capable technology, but contained no penalties for any third country suppliers that sold such equipment to Iran.

Examples of laws enacted to compel foreign countries and technology suppliers to cease sales to Iran include the Iran-Iraq Arms Non-Proliferation Act of 1992. That law penalizes foreign countries and foreign firms determined by the Administration to have provided advanced conventional arms or WMD technology to Iran. The above-mentioned Iran Sanctions Act, enacted in August 1996, sought to dissuade foreign firms from exploring and developing Iran's oil and gas fields. Supporters of that law asserted that doing so would, at least over the long term, deny Iran the oil revenue required to fund regional terrorist groups and acquire WMD-related technology.<sup>2</sup>

## **U.N. Sanctions: 2006-2010**

In 2002, after the revelation that Iran was constructing several nuclear facilities including some capable of enriching uranium, the issue of Iran's nuclear program rose to prominence on the U.S. foreign policy agenda. Perhaps seeking to head off a broad international confrontation with Iran, three European countries ("EU-3": Britain, France, and Germany) initiated a separate negotiating track to try to persuade Iran not to enrich uranium. After some initial successes during 2003-2005 in persuading Iran not to advance its uranium enrichment program, the negotiations broke down in 2005 after hardline Iranian President Mahmoud Ahmadinejad took office.

After the European-led negotiations failed, these countries as well as Russia and China joined the United States in enacting U.N. economic sanctions against Iran. During 2006-2010, four U.N. Security Council resolutions were adopted (1737, 1747, 1803, and 1929), imposing targeted

<sup>1</sup> Elaine Sciolino. "Calling Iran 'Outlaw State,'" Christopher Defends U.S. Trade Ban. *New York Times*, May 2, 1995. <http://www.nytimes.com/1995/05/02/world/calling-iran-outlaw-state-christopher-defends-us-trade-ban.html>

<sup>2</sup> [http://armscontrolcenter.org/issues/iran/articles/fact\\_sheet\\_iran\\_sanctions/](http://armscontrolcenter.org/issues/iran/articles/fact_sheet_iran_sanctions/)

sanctions on Iran. The first three such resolutions required U.N. member states to cease transactions with named Iranian persons and entities, and banned Iran from exporting arms. The latter, Resolution 1929, authorized but did not compel U.N. member states to ban their firms from working in Iran's energy sector; providing insurance for shipping to or from Iran; providing credits for trade with Iran; or conducting financial transactions with Iran's banks. It also banned U.N. member states from selling major combat systems to Iran.

The primary goals of the U.N. sanctions were similar to those imposed by the United States unilaterally during this time period. White House WMD Coordinator Gary Samore articulated the objectives of the sanctions as (1) enforcing the credibility and integrity of international non-proliferation regimes; (2) making it more difficult for Iran to obtain materials for its nuclear program; and (3) affecting Tehran's "calculation of the costs and benefits of continuing to pursue its nuclear program."<sup>3</sup> Some experts assert that U.S. allies, Russia, and China supported the multilateral effort at least in part to try to head off more assertive U.S. or Israeli action such as a military attack on Iran's nuclear facilities. In explaining their support for Resolution 1929, Russian officials noted that the mandated sanctions would not harm the Iranian population.<sup>4</sup> The bans on Iran's exportation and importation of arms represented an effort to limit Iran's regional influence and its military capabilities.<sup>5</sup>

## **Multinational Sanctions: 2010 to the Present**

Subsequent to the adoption of Resolution 1929 in June 2010, the United States and its partners in Europe and in Asia chose to use all the authorities specified in that resolution. Russia, China, and several other countries opted to enforce only the mandatory provisions of the resolution, including a ban on sales of major conventional arms systems to Iran.

Sanctions notwithstanding, nuclear negotiations between Iran and an expanded negotiating group, the "P5+1" (United States, Britain, France, Germany, Russia, and China) did not appear to be slowing the advance of Iran's nuclear program. Congress subsequently enacted several major Iran sanctions bills, such as the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA); a provision (Section 1245) of the FY2012 National Defense Authorization Act; the Iran Threat Reduction and Syria Human Rights Act (ITRSHA); and the Iran Counter-Proliferation Act (IFCA). The Administration issued several Executive Orders to implement the provisions of these laws, and in some cases took additional steps to limit worldwide economic engagement with Iran. Most of the U.S. sanctions were secondary sanctions—essentially denying access to the U.S. market to foreign firms that conduct transactions with major sectors of the Iranian economy, including banking, energy, and shipping.

Some of these sanctions sought to alter Iran's human rights practices, to reduce its ability to suppress political opposition and freedom of expression and assembly, and to reduce Iran's attempts to influence events in neighboring countries. For example, Executive Order 13572 of April 2011 sanctioned persons or entities determined to be responsible for human rights abuses

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<sup>3</sup> Remarks by White House WMD Gary Samore before the Foundation of Defense for Defense of Democracies. December 10, 2010. [http://www.fddwashingtonforum.org/samore\\_remarks.php](http://www.fddwashingtonforum.org/samore_remarks.php)

<sup>4</sup> Center for Nonproliferation Studies. "Why Russia Supported Sanctions Against Iran." Alexander Pikayev, June 23, 2010. [http://cns.miis.edu/stories/100623\\_russia\\_iran\\_pikayev.htm](http://cns.miis.edu/stories/100623_russia_iran_pikayev.htm)

<sup>5</sup> Author conversations with U.S. officials and Iran experts. 2006-2010.

and repression of the Syrian people. An earlier Executive Order, 13438 of July 2007, sanctioned persons deemed to be posing a threat to stability in Iraq.

A core goal of the sanctions imposed during this period was to significantly reduce Iran's exportation of oil and its ability to access the hard currency it earned abroad from the sale of oil. The stated objective of these sanctions was to place substantial economic pressure on Iran and presumably compel it to accommodate U.S. and other country concerns about its nuclear program.<sup>6</sup> Some experts argued that the significant increase in sanctions represented an effort, instead, to try to bring about the downfall of Iran's regime.<sup>7</sup>

## Debate Over Achievements of Sanctions

There has been substantial debate over the degree to which sanctions have contributed to altering Iranian policies—particularly regarding Iran's willingness to negotiate limits to its nuclear program. This debate has been affected significantly by the “Joint Plan of Action” (JPA) agreed on November 24, 2013, between Iran and the P5+1. The agreement, implementation of which began on January 20, 2014, requires Iran to halt further development of most aspects of its nuclear program in exchange for a modest and temporary easing of multilateral sanctions.

Prior to 2013, there appeared to be a consensus that U.S. and U.N. sanctions had not accomplished their core strategic objective of compelling Iran to verifiably limit its nuclear development to purely peaceful purposes. Many rounds of P5+1-Iran talks since 2006, including five rounds just during 2012 and early 2013, produced no breakthroughs. The JPA cracked this consensus, with many experts describing Iran's agreement to the JPA as evidence that sanctions contributed substantially to Iran's willingness to halt further development of its nuclear program in exchange for relatively modest sanctions relief.<sup>8</sup> The JPA was agreed to relatively soon after the June 14, 2013, first round presidential election victory of relatively moderate mid-ranking cleric Hassan Rouhani. He ran on a platform of achieving an easing of sanctions and ending Iran's international isolation, whereas several of the other candidates advocated a “resistance economy”—economic self-reliance intended to try to defy international sanctions. Sanctions arguably contributed to the political climate in which the candidate more committed to ending international isolation won.

On the other hand, some experts assert that Iran's signing of the JPA was attributable less to sanctions and more to Iran's perceptions of U.S. flexibility—in particular an apparent U.S. willingness to accept some long-term enrichment of uranium by Iran and pursue overall U.S.-Iran rapprochement.<sup>9</sup> Those who take this view assert that Deputy Secretary of State William Burns and other U.S. officials had begun meeting with Iranian officials in early 2013 in Oman to explore the possibility of a nuclear deal. These meetings, in which U.S. officials reportedly signaled flexibility, took place well before Rouhani's election, but accelerated after Rouhani took

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<sup>6</sup> <http://www.foxnews.com/politics/2012/03/30/obama-imposes-sanctions-to-squeeze-irans-oil-exportation/>

<sup>7</sup> Suzanne Maloney. “Obama's Counterproductive New Iran Sanctions.” *Foreign Affairs*, January 5, 2012. <http://www.foreignaffairs.com/articles/137011/suzanne-maloney/obamas-counterproductive-new-iran-sanctions>

<sup>8</sup> Author conversations with numerous experts on Iran and U.S.-Iran relations. November 2013- April 2014.

<sup>9</sup> *Ibid.*



office in August 2013.<sup>10</sup> Oman's leader, Sultan Qaboos bin Said Al Said, visited Iran in August 2013, reportedly in part to help pave the way for U.S.-Iran diplomatic overtures and the JPA.

The debate over the effectiveness of sanctions will likely continue at least until there is international certainty that Iran does not intend to and could not quickly develop a nuclear weapon. Director of National Intelligence (DNI) James Clapper testified when presenting the annual worldwide threat assessment to Congress on January 29, 2014, that Iran's ultimate nuclear intentions remain unclear.<sup>11</sup> This testimony suggests that sanctions and other factors might have temporarily, but not necessarily permanently, altered Iran's nuclear policies. If Iran were to move ahead with attempting to acquire a nuclear weapon, many might argue that sanctions were not as effective on the nuclear issue as they are currently perceived to have been.

The following sections provide brief analysis of the effectiveness of sanctions in accomplishing several stated additional objectives that were discussed above:

- *Slowing Nuclear and Missile Program Development.* Sanctions appear to have had limited effect in curbing the expansion of Iran's nuclear program or the development of other advanced militarily useful capabilities. Analysis of International Atomic Energy Agency (IAEA) reports issued before the JPA was agreed noted that Iran continued to develop more advanced centrifuges and expand its uranium enrichment program.<sup>12</sup> DNI Clapper has testified that Iran continues to expand the scale and sophistication of its ballistic missile arsenal, and has the "means and motivation to develop longer-range missiles, including an intercontinental ballistic missile (ICBM)."<sup>13</sup>
- *Limiting Military Capabilities.* The ban on worldwide arms sales to Iran has prevented Iran from modernizing its combat aircraft or ground armor from major arms suppliers such as Russia or China. U.S. officials have not publicly cited any foreign government for violating the ban in Resolution 1929 on supplying major combat systems to Iran. As a prominent example, after the adoption of Resolution 1929, Russia cancelled a contract to deliver an advanced air defense system, the S-300, which could have given Iran the capability of defending against airstrikes by sophisticated air forces such as those of the United States or Israel. However, Iran has enough indigenous technological capability that it has continued to increase its supply and sophistication of cruise and other missiles that have military utility.<sup>14</sup>
- *Curbing Support for Militant Terrorist Movements.* Administration reports, such as the annual State Department report on international terrorism, do not indicate that sanctions have reduced Iran's willingness or ability to provide material

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<sup>10</sup> Paul Richter. "Oman Sultan's Visit Reportedly a Mediation Bid Between Iran and U.S." *Los Angeles Times*, August 30, 2013; Shashank Bengali. "U.S.-Iran Thaw Began with Months of Secret Meetings." *Los Angeles Times*, November 24, 2013.

<sup>11</sup> Testimony of Director of National Intelligence James Clapper before the Senate Select Committee on Intelligence. January 29, 2014.

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[http://www.isisnucleariran.org/assets/pdf/ISIS\\_Analysis\\_IAEA\\_Safeguards\\_Report\\_28August2013\\_Final\\_newgraph.pdf](http://www.isisnucleariran.org/assets/pdf/ISIS_Analysis_IAEA_Safeguards_Report_28August2013_Final_newgraph.pdf)

<sup>13</sup> Ibid.

<sup>14</sup> Department of Defense, *Annual Report of Military Power of Iran*, April 2012.

support to militant movements in the Middle East and to the Syrian regime.<sup>15</sup> Iran's arms exports contravene Resolution 1747, which bans Iran's exportation of arms.<sup>16</sup> Extensive Iranian support to Syrian President Bashar al Asad is continuing, and DNI Clapper has said Iran continues to arm rebel factions in Yemen and Bahrain as well as Palestinian groups.<sup>17</sup>

- *Improving Human Rights Practices.* Recent reports on Iran's human rights practices by the State Department and a U.N. "special rapporteur" indicate that there has been little, if any, improvement in Iran's practices over the past few years.<sup>18</sup> On the other hand, the U.N. Special Rapporteur on human rights in Iran noted in his March 2014 report that President Rouhani's government has released 80 political prisoners and proposed a new "charter of citizen's rights."<sup>19</sup> It is unclear to what extent these steps are directly attributable to sanctions.
- *Constricting Iran's Economy.* There appears to be a clear consensus that sanctions have taken a substantial toll on Iran's economy, contributing to the election of Rouhani and to Iran's accession to the JPA. Iran's gross domestic product (GDP)—the broadest measure of economic performance—contracted by 5%-8 % in 2012, according to the Department of the Treasury, and continued to contract in 2013.<sup>20</sup> The oil export sector, which is the key driver of Iran's economy, was affected substantially. Oil exports fell from a 2011 daily average of 2.5 million barrels per day to only 1 million barrels per day at the end of 2013—the level at which exports are to remain for the JPA period.

## Temporary Sanctions Relief During JPA Period

U.S. officials have said publicly that the JPA requires "limited, temporary, targeted, and reversible" easing of international sanctions from January 20 to July 20, 2014. According to the Administration, the sanctions relief offered maintains "the vast bulk of sanctions, including the oil, finance, and banking sanctions architecture." According to the Administration, "If Iran fails to meet its commitments, [the United States and its partners] will revoke the relief."<sup>21</sup> The interim agreement does not require an easing of any U.S. sanctions that were imposed in the 1980s and 1990s primarily to address Iran's support for acts of international terrorism, or any sanctions that address Iran's alleged human rights abuses or its influence in neighboring countries.

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<sup>15</sup> <http://www.state.gov/j/ct/rls/crt/2012/209985.htm>

<sup>16</sup> Louis Charbonneau, "U.N. Monitors See Arms Reaching Somalia From Yemen, Iran," *Reuters*, February 10, 2013.

<sup>17</sup> Testimony of Director of National Intelligence James Clapper before the Senate Select Committee on Intelligence. January 29, 2014.

<sup>18</sup> <http://shaheedoniran.org/wp-content/uploads/2014/03/A-HRC-25-61-updated.pdf>

<sup>19</sup> [http://www.iranhrdc.org/english/human-rights-documents/united-nations-reports/un-reports/1000000443-special-rapporteurs-march-2014-report-on-the-situation-of-human-rights-in-the-islamic-republic-of-iran.html#.U0\\_v74WwVT4](http://www.iranhrdc.org/english/human-rights-documents/united-nations-reports/un-reports/1000000443-special-rapporteurs-march-2014-report-on-the-situation-of-human-rights-in-the-islamic-republic-of-iran.html#.U0_v74WwVT4)

<sup>20</sup> Testimony of Undersecretary of the Treasury for Terrorism and Financial Intelligence David Cohen before the Senate Banking Committee. June 4, 2013. <http://www.treasury.gov/press-center/press-releases/Pages/j11969.aspx>

<sup>21</sup> White House Office of the Press Secretary. "Fact Sheet: First Step Understandings Regarding the Islamic Republic of Iran's Nuclear Program." November 23, 2013.

U.S. officials have given the sanctions relief during the JPA period a dollar value of \$7 billion. That includes \$4.2 billion in hard currency that Iran is permitted to access directly from ongoing oil sales, as well as sales of petrochemicals that Iran is permitted during the JPA period. Iran also has been allowed to resume trading in precious metals and to import goods for its automotive manufacturing sector, which reportedly has increased its activity since the January 20, 2014, JPA implementation start date. Iran's oil export volumes are to remain constant at 1 million barrels per day (mbd) for the six-month duration of the deal. Treasury Department officials say the relief will have a small positive impact on Iran's economy, and the International Monetary Fund estimates that the agreement will enable Iran to return to slight GDP growth of about 1%-2% for all of 2014.<sup>22</sup>

## **The Way Forward: Potential Scenarios for Iran Sanctions<sup>23</sup>**

For the duration of the JPA period, international sanctions on Iran are likely to remain in a state of ambiguity—no international sanctions have been lifted or repealed, but many sanctions imposed by individual states are, at least temporarily, relaxed. The future course of Iran sanctions will almost certainly depend, at least in part, on the outcome of the ongoing P5+1 – Iran negotiations for a final settlement on Iran's nuclear program. Those negotiations began in February 2014 with the intent of concluding a comprehensive nuclear settlement by the July 20, 2014, expiration of the JPA period. Some possible scenarios for the direction of sanctions on Iran are discussed in the sections below.

### **If the Parties Reach a Comprehensive Nuclear Settlement**

The text of the JPA states that a comprehensive solution on Iran's nuclear program “would produce the comprehensive lifting of all UN Security Council sanctions, as well as multilateral and national sanctions related to Iran's nuclear program.”<sup>24</sup> But, this provision contains a number of uncertainties because many of the applicable Iran sanctions cannot be terminated by Administration action alone; lifting them would require congressional action. The JPA appears to acknowledge that, particularly in the U.S. case, there is a political process required to implement U.S. negotiating commitments. With respect to the JPA commitment not to impose new nuclear sanctions during the JPA period, the document states that “The U.S. Administration, acting consistent with the respective roles of the President and the Congress, will refrain from imposing new nuclear related sanctions.”

In response to a question about the Administration's ability to fulfill any commitment to Iran to lift sanctions outright, a “senior Administration official” told journalists

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<sup>22</sup> <http://online.wsj.com/news/articles/SB10001424052702303704304579378871594319850>

<sup>23</sup> Much of the information in this section is derived from numerous author conversations with experts on Iran and Iran sanctions and European, Asian, and Middle Eastern diplomats. These discussions took place in separate meetings as well as in panel discussions and e-mail exchanges. 2013-2014.

<sup>24</sup> Text of Joint Plan of Action, November 24, 2013.

Well, we are doing a considerable amount of work, including consultations with the Congress, in that regard. We need to understand in great detail how to unwind sanctions and what—under what authorities and what can be done by the Executive Branch, what can be done by waivers, what will need congressional action. So we are detailing all of that. We are in agreement with our partners in the P5+1 and the EU [European Union] and with Iran that any sanctions relief, should we get to a comprehensive agreement, will be phased in and will be in response to actions that Iran takes.<sup>25</sup>

That lifting some sanctions would require congressional action raises the issue of congressional responses to any comprehensive deal that is reached. A letter to President Obama, signed by 82 Senators, sets out parameters for what the signers would consider an “acceptable” comprehensive settlement, and states that the Administration will need congressional action to enact “implementing legislation to provide longer-term sanctions relief beyond existing waiver authorities—either through suspension, repeal or amendment of statutory sanctions.”<sup>26</sup>

The letter, and similar statements by Members of Congress, suggests that there is potential for Congress to demand requirements of Iran in any comprehensive settlement beyond those sought by the Administration. Congress could also refuse outright to enact legislation to lift sanctions, or could lift only certain sanctions and leave in place others. For example, some Members might argue that sanctions enacted primarily to address Iran’s support of terrorist organizations or its human rights practices be left in place, whether or not the Administration requests termination.

There are potential consequences should Congress not lift nuclear-related sanctions after a comprehensive deal. It is possible that some P5+1 countries, such as Russia and China, could accuse the United States of failing to fulfill promises to Iran that were to form a key part of a comprehensive nuclear settlement. Some speculate that Russia and China might refuse, in the future, to cooperate with U.S. efforts to use multilateral sanctions to address the actions of countries of concern. That outcome could, in turn, reduce the utility of multinational sanctions generally, relating not only to Iran but also to other global hotspots.

If Congress declines to lift sanctions, the Administration might decide to offer Iran, as an alternative fulfillment of the U.S. commitment, the indefinite suspension of sanctions. Most of the Iran sanctions laws provide waiver and other authorities that would avoid applying sanctions to Iran, even if not terminating them outright.<sup>27</sup> It is not clear whether Iran would accept that alternative or would instead hold out for termination or repeal.

A further consideration is whether U.S. sanctions that prohibit American companies from doing business with Iran would be lifted if there were a comprehensive settlement. The Administration might opt to keep in place the ban on U.S. trade with Iran as a means of exerting some leverage over Iran in any potential discussions about restoring U.S.-Iran relations.<sup>28</sup> The Administration has not indicated that any sanctions that apply to U.S.-Iran commerce would be lifted as part of a comprehensive nuclear deal with Iran. However, it is likely that American firms would argue that

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<sup>25</sup> Department of State. *Background of Briefing on Next Week’s EU-Coordinated P5+1 Talks With Iran*. March 14, 2014.

<sup>26</sup> United States Senate. Letter to President Barack Obama. March 18, 2014.

<sup>27</sup> This issue is analyzed in greater detail in CRS Report R43311, *Iran: U.S. Economic Sanctions and the Authority to Lift Restrictions*, by Dianne E. Rennack.

<sup>28</sup> Author’s conversations with Iran experts. January – April 2014.

they should be held to the same standards as are companies in partner countries so as not to be deprived of significant business opportunities.

## **If Negotiations Collapse**

Iran sanctions are likely to pursue a far different course if negotiations on a comprehensive nuclear settlement collapse. Were that to occur, there is a prospect that not only would the temporary sanctions relief of the JPA be revoked, but that new sanctions would be imposed beyond those in place before the JPA took effect. President Obama and other senior U.S. officials have asserted that the Administration would strongly support new sanctions if negotiations collapse or Iran violates the JPA. The Senators' letter cited above states that "Should negotiations fail or Iran violate the Joint Plan of Action, Congress will need to ensure that the legislative authority exists to rapidly and dramatically expand sanctions."

The Administration has not articulated publicly what specific new sanctions it might seek to impose should negotiations collapse. Nor did the Senate letter specify what additional sanctions the signers might seek to enact in this scenario. One possibility is that Members might choose to act on legislation pending before and during the JPA period, including H.R. 850, a bill that passed the House in July 2013, and S. 1881. The latter bill was introduced after the JPA was signed and the Administration threatened to veto it as a violation of the JPA's "no new nuclear sanctions" commitment—even though its provisions would not have taken effect until after the JPA period. That veto threat, by all accounts, contributed to the Senate setting aside further consideration of the bill, at least for now.<sup>29</sup>

A collapse of the negotiations would raise the question of whether partner countries would join the United States in imposing additional sanctions, or cooperate with any new secondary U.S. sanctions that might be imposed. It can be argued that partner countries would likely support increased sanctions if the collapse of negotiations were widely attributed to Iranian refusal to agree to what were perceived by partner countries as reasonable demands for a comprehensive nuclear settlement.

Were partner governments to attribute a collapse to perceived unreasonable U.S. demands during the settlement negotiations, these governments and their companies could potentially reduce cooperation with the existing global Iran sanctions regime. If the Administration were to then impose sanctions on partner country firms, thereby causing economic losses for companies incorporated in those countries, that could potentially weaken solidarity with the United States on the Iran issue. Moreover, if sanctions on partner country firms were viewed as unreasonably severe, firms in those countries might become less likely to do business with U.S. companies or to invest in the United States.

It is also possible that a perception of U.S. inflexibility in negotiations could cause friction on the Iran issue with Russia and China. Both countries strongly oppose any U.S., Israeli, or other military action against Iran's nuclear facilities, and there is potential for both countries to perceive that a breakdown of negotiations increases the likelihood of such a strike.

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<sup>29</sup> The provisions of these bills are analyzed in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman

## **If the JPA is Extended**

Another possible scenario is that the negotiations neither reach a comprehensive settlement nor collapse by the time the JPA period expires on July 20, 2014. Senior U.S., partner country, and Iranian officials have said that the issues involved in a comprehensive nuclear settlement are complex and agreement might not be reached by the time the JPA expires. Shortly after the JPA was signed on November 24, 2013, President Obama said he placed the chances of reaching a comprehensive nuclear settlement at no higher than “50-50.”<sup>30</sup> The JPA provides for its renewal “by mutual consent,” and many experts assess that the most likely scenario is that the JPA will be renewed for an additional six month period to provide additional time to reach a comprehensive solution.

An extension of the JPA has several potential implications for the course of Iran sanctions. The Administration has indicated that such an extension would apply to all provisions of the JPA, including the modest sanctions relief that could provide additional resources to the Iranian government. However, it is possible that some in Congress could interpret an extension as an indication of Iranian reluctance to agree to acceptable terms in a final settlement.

An extension might also produce concerns in Congress that international commitment to maintain sanctions will erode before a final settlement is reached. In hearings and statements, some Members of Congress have expressed concern that the JPA sanctions relief will cause an erosion of sanctions as companies seek to position themselves to return to the Iran market if and when most sanctions are lifted permanently.<sup>31</sup> Congress might seek to enact additional sanctions, such as those included in H.R. 850 or S. 1881, in an attempt to head off that erosion, although such legislative action has the potential to cause Iran to leave any ongoing negotiations.

It is also possible that the JPA, if extended, would be in force at the time of the U.S. mid-term elections in November 2014. The 114<sup>th</sup> Congress could conceivably take a different approach toward Iran sanctions than the current Congress. For example, President Obama’s threat to veto S. 1881, if enacted, has apparently stalled Senate action on that legislation. There is potential for the next Senate to act on legislation such as the provisions contained in S. 1881 despite President Obama’s veto threat.

For its part, the Administration has indicated that expressed congressional concerns about sanctions erosion have been unfounded to date. President Obama and other officials assert that companies that have held talks with Iranian officials and businessmen during the JPA period have reached no firm business deals that would violate any Iran sanctions. President Obama warned at a joint press conference with visiting French President Francois Hollande on February 11, 2014, that companies that might violate sanctions “do so at their own peril right now because we will come down on them like a ton of bricks with respect to the sanctions that we control, and we expect full compliance ... during this interim [period].”<sup>32</sup>

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<sup>30</sup> <http://www.bloomberg.com/news/2013-12-07/obama-says-testing-iran-s-behavior-best-way-to-halt-nuclear-plan.html>

<sup>31</sup> Senate Foreign Relations Committee. Hearing on the Iran Nuclear Negotiations. February 4, 2014.

<sup>32</sup> Press Conference by President Obama and President Hollande of France. February 11, 2014.



## Other Scenarios

The scenarios above do not take into account the potential for issues completely unrelated to the nuclear negotiations to alter the course of Iran sanctions. The United States and Iran have been at odds over many issues since the 1979 Islamic revolution. Neither U.S. unilateral nor multilateral sanctions have altered many of the Iranian policies that the United States has found objectionable. The following sections provide examples of Iranian actions that could significantly alter the position of the Administration and/or Congress on Iran sanctions.<sup>33</sup>

- *Catastrophic Incident Caused by an Iran-Supported Group.* The Administration asserts that Iran continues to provide material support to a wide range of groups the United States designates as Foreign Terrorist Organizations. There is potential for any of these groups, with or without the knowledge or involvement of Iran, to conduct a catastrophic attack in the Middle East or elsewhere. Whether or not Iran had prior knowledge or involvement in the action, a catastrophic terrorist attack itself could cause the Administration and Congress to question Iran's trustworthiness to uphold any nuclear commitments it makes. A related possibility is an attack in the United States by Iran or Iranian proxies, against U.S. or partner interests. In such a case, the Administration and Congress could decide to impose additional sanctions on Iran, intended to reduce Iran's ability to fund and supply militant organizations.

Another line of inquiry among experts is whether hardliners in Iranian-supported organizations might attempt a catastrophic terrorist attack with the express purpose of derailing any potential rapprochement between Iran and the West. According to this view, Iran-supported militants might seek to prevent Iran from potentially abandoning its commitment to militant causes in the region.<sup>34</sup> A related view holds that hardliners in Iran itself, such in as the Islamic Revolutionary Guard Corps – Qods Force (IRGC-QF), might promote a catastrophic terrorist attack to prevent Iran from resuming normal relations with the United States and other partner countries.<sup>35</sup>

- *Dramatic Realignment of Political Forces in Iran.* Since the June 2013 election of President Hassan Rouhani, relatively moderate forces in Iran's political system have held sway with respect to the nuclear negotiations. However, harder line figures have expressed skepticism of the Rouhani emphasis on compromise and negotiations. In several statements, Iran's Supreme Leader Ali Khamene'i has stated that he backs negotiations but is skeptical that a comprehensive solution can be reached because he distrusts U.S. intentions toward Iran. Iranian hardliners reportedly have sought to reinforce Khamene'i's distrust and to enlist him in marginalizing Rouhani and his top aides.<sup>36</sup> Were these factions to succeed in that objective, it is possible that Iran's willingness to forge or uphold commitments under a comprehensive settlement could be called into question by

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<sup>33</sup> The broad range of U.S. concerns about Iran are analyzed in: CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

<sup>34</sup> Author conversations with Iran experts in Washington, D.C., 2013-2014.

<sup>35</sup> Ibid.

<sup>36</sup> <http://www.nytimes.com/2013/12/02/world/middleeast/irans-hard-liners-keep-their-criticism-of-nuclear-pact-to-themselves.html>

the United States and its partners. That outcome could prompt the Administration and Congress to consider imposing additional sanctions, even if doing so could potentially strengthen the hardliners' assertions that the United States cannot be trusted to end policies the hardliners describe as "hostile" to Iran and its revolution.

On the other hand, should Rouhani and his allies appear to become entrenched and enjoy the consistent and strong support of the Supreme Leader, some in the United States and elsewhere might seek to reinforce that unity by easing sanctions further. Advocates of that approach might argue that easing sanctions would demonstrate to Rouhani and the Iranian population the benefits of engagement and negotiations, thus creating support in Iran for further compromises with the international community.

- *Resurgence of a Popular Uprising in Iran.* Another popular uprising in Iran also could alter the prognosis for international sanctions on Iran. An uprising erupted in June 2009 over public perceptions that regime fraud had resulted in a re-election victory for then President Mahmoud Ahmadinejad. Demonstrations took place until the end of 2009 but the uprising was ultimately suppressed by the security forces. A repeat of this process, particularly if the government is seen as using brutal repressive tactics, could increase the likelihood of additional sanctions on Iran—particularly those directed at security organizations and persons involved in a crackdown. Some in the Administration and Congress also might argue that adding sanctions during a domestic uprising would signal support for anti-regime activists and help a rebellion succeed.

On the other hand, a regime response to a new uprising that differs from that in 2009 could create international support to ease sanctions on Iran. If the regime did not use force to suppress such demonstrations, some in the international community might conclude that the regime was committed to accommodating international criticism even on issues of Iran's domestic political affairs.

- *Stepping Up Direct Military Action in the Region.* A shift in international views on sanctions could result from an Iranian decision to undertake direct military action in the region. A potential scenario exists in Syria, where some experts speculate that Iran could decide to massively expand its currently limited intervention to help the Assad regime try to decisively defeat its armed opposition.<sup>37</sup> On the other hand, some might argue that a larger direct military intervention by Iran would represent only an incremental expansion of Iran's current support for the Assad regime and would not necessarily require sanctions beyond those already in place.<sup>38</sup>

A related scenario includes a renewal of hostilities between Israel and Lebanese Hezbollah, which receives copious Iranian support including supplies of advanced rockets and missiles. Israel and Hezbollah fought a major conflict for several weeks in 2006, and Iran has supported Hezbollah's intervention on behalf of the Assad regime in Syria. A flaring of major Israel-Hezbollah conflict could

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<sup>37</sup> Author conversations with regional experts on Iran and Syria. 2014.

<sup>38</sup> For a discussion of U.S. sanctions on Iran for its involvement in regional affairs, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.



cause the United States and potentially its partners as well to impose additional sanctions against Iran.

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