III. Trade sanctions

MARK BROMLEY

Types of sanction

The United States has had comprehensive sanctions in place on virtually all forms of trade with Iran since the 1990s, some of which were expanded during the escalating crisis surrounding Iran's nuclear programme. The UN Security Council did not impose any additional nuclear-related trade and commerce-related sanctions on Iran. However, UN Security Council Resolution 1929 states that the oil and gas sector as well as other sectors of Iran's economy play a role in supporting Iran's nuclear programme. As such Resolution 1929 played a crucial role in enabling states to cooperate with the more comprehensive sanctions imposed by the USA and the European Union (EU).[1]

The USA, the EU and other allied states imposed an ever-expanding range of trade sanctions on Iran in response to its nuclear-related activities. For example, in September 2010 the USA reinstated a ban that had been lifted in April 2000 on the import of nuts, fruit products, carpets and caviar from Iran.[2] The USA also created a range of secondary sanctions on foreign persons and companies trading with Iran (see section II). In March 2012 the EU imposed a ban on the sale to Iran of key equipment or technology in the oil and gas sectors; the import or purchase from Iran of crude oil, petrochemicals and gas; the export to Iran of software for integrating industrial processes; and the export or import to or from the Iranian Government of gold, precious metals, diamonds, banknotes and coinage.[3]

The impacts of US and EU sanctions on Iran's oil and gas sector were substantial. Iran's oil exports declined from 2.5 million barrels per day to 1 million barrels per day.[4] US secondary sanctions meant that a number of oil imports were reduced even in states that did not directly impose sanctions on Iran's oil and gas sector. For example, China's imports of oil from Iran fell from 550 000 barrels per day in 2011 to 410 000 barrels per day in 2015.[5] In 2013 it was reported that Iran's oil fields had seen a steep decline in production rates that would require at least $300 billion of investment over

[1] Katzman, K., *Iran Sanctions*, Congressional Research Service (CRS) Report for Congress RS20871 (US Congress, CRS: Washington, DC, 21 Jan. 2016), p. 32.

[2] US Congress, Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), Washington, DC, 1 July 2010, section 103 (P.L. 111–195).

[3] Council of the European Union, Council Regulation no. 267/2012 of 23 Mar. 2012 concerning restrictive measures against Iran', *Official Journal of the European Union*, L88, 23 Mar. 2012.

[4] Katzman (note 1), p. 22.

[5] Katzman (note 4).

10 years to reverse.[6] Meanwhile, the withdrawal of Western, Eastern European and Asian firms from Iran created an estimated loss of investment in Iran's oil and gas sector of around $60 billion.[7] The impacts of the restrictions on trade with EU member states were particularly severe. In 2011 EU member states were the largest importers of oil from Iran, between them receiving an average of 600 000 barrels per day.[8] This dropped to zero in 2012. Following the imposition of sanctions, total EU imports from Iran decreased by 86 per cent and total EU exports to Iran decreased by 26 per cent.[9]

In April 2015 the US Treasury Secretary Jacob Lew stated that Iran's gross domestic product (GDP) had contracted by 9 per cent in the preceding two years and that its current level was 15–20 per cent lower than it had been in 2010.[10] The sanctions also resulted in a decline of around 56 per cent between 2012 and 2014 in the value of the rial on unofficial markets. This fall accelerated the rate of inflation Iran, which was estimated at between 50 and 70 per cent in the period 2011–13.[11]

The Joint Comprehensive Plan of Action and trade and commerce sanctions

Most US sanctions on trade with Iran remain unaffected by the Joint Comprehensive Plan of Action (JCPOA). However, the JCPOA stipulates that the USA will allow the export to Iran of civilian aircraft and related parts and components, and the import from Iran of nuts, fruit products, carpets and caviar from Implementation Day. All of the EU's sanctions on Iran's oil and gas sector and the trade in precious metals were lifted on Implementation Day. The impact of the lifting of these sanctions is expected to be substantial. Iran's oil exports are expected to reach pre-2012 levels within 8–12 months of the sanctions on its oil sector being lifted.[12] The World Bank has estimated that following the complete removal of sanctions, Iran's GDP growth could reach 5.1 per cent in financial year 2016/17 and 5.5 per cent in 2017/18.[13]

[6] International Crisis Group, 'Spider web: the making and unmaking of Iran sanctions', *Middle East Report* no. 138 (International Crisis Group: Brussels, Feb. 2013), p. 21.

[7] International Crisis Group (note 6), p. 21.

[8] Mix, D. E., *The United States and Europe: Current Issues*, Congressional Research Service (CRS) Report for Congress RS22163 (US Congress, CRS: Washington, DC, 3 Feb. 2015), p. 12.

[9] European Commission, Trade, 'Countries and regions: Iran', Last Updated: 27 Oct. 2015.

[10] Katzman (note 1).

[11] Katzman (note 1).

[12] World Bank, Middle East and North Africa Region, *Economic Implications of Lifting Sanctions on Iran*, MENA Quarterly Economic Briefing no. 5 (World Bank: Washington, DC, July 2015).

[13] World Bank (note 12).