

## Case Studies in Sanctions and Terrorism

### Case 84-1

#### US v. Iran

*(1984-: Terrorism, Proliferation)*

#### Chronology of Key Events

See also Case 79-1 US v. Iran (1979-81: Hostages)

- October 1983 US Marine base in Beirut, Lebanon, is bombed, killing more than 200 people; simultaneous attack occurs at base of French peacekeepers. (Banks, Day, Muller 1997, 479)
- 23 January 1984 Alleging Iranian involvement in Marine base bombing, US State Department adds Iran to list of nations supporting terrorism, thus subjecting it to more stringent export controls. (CRS 1988/1992, 100)
- 3 February 1984 Iraq attacks oil tankers transporting Iranian crude. Iran retaliates by hitting Kuwaiti, Saudi ships because they support Iraq in Iran-Iraq war. "Tanker war" begins, affecting all shipping in the Persian Gulf. When evidence surfaces of Iraqi use of chemical weapons in war against Iran, Reagan administration, which formally is neutral in conflict, embargoes exports to both countries of five chemicals that could be used to produce chemical weapons. By 1990, number of controlled chemicals, labeled "chemical weapons precursors" by Australia Group, has grown to 50. (*Facts on File* 1988, 622; CRS 1988/1992, 100; US Department of Commerce 1990, *Annual Foreign Policy Report to Congress*, 31)
- 28 September 1984 President Reagan adopts policy of generally denying license applications for export to Iran of aircraft, helicopters, related parts, other avionics, most other items on national security export control list. (CRS 1988/1992, 100)
- June 1985 Fundamentalist Shiite faction in Lebanon takes Americans hostage in Beirut. National Security Advisor Robert C. McFarlane warns Iran that it can expect "proportional military response against bona fide military targets" if hostages are executed. Administration officials also confirm that Secretary of State George P. Shultz has sent letter to Iran warning its leaders that they would be held responsible for fate of hostages. (Banks, Day, Muller 1997, 479; *Facts on File*, 277)

- 2–3 November 1986 One day after hostage David P. Jacobson is released, pro-Syrian Beirut newspaper reports that he and two other hostages released in past year were part of secret arms-for-hostages deal between US, Iran. (*Facts on File*, 825–26)
- 4 March 1987 Special commission appointed by President Reagan to investigate Iranian arms deal releases its findings; Reagan admits his administration traded arms for hostages, but asserts that the result was due to faulty execution. The original strategy was to improve relations with Iran but it “deteriorated in its implementation into trading arms for hostages.” (*Facts on File*, 138; *Washington Post*, 5 March 197, A1)
- 6 August 1987 US State Department, which previously supported more normal trade flows, recommends imposing more stringent export controls on certain nonmilitary items because of Iran's demonstrated ability to convert low-technology, "seemingly innocuous" items to military uses. State Department remains opposed to total trade ban, which Defense Department favors, because it would violate 1981 agreement under which US embassy hostages were freed. (*The New York Times*, 6 August 1987, A1)
- 1 October 1987 Citing the threat to Gulf shipping from mines, the Commerce Department bans the export of scuba gear to Iran. (*International Trade Reporter*, 31 November 1987, 1185)
- 26 October 1987 Following nearly unanimous passage of nonbinding resolutions in both houses of Congress calling for an end to imports of Iranian oil, Reagan invokes section 505 of the International Security and Development Cooperation Act of 1985 and embargoes *all* imports from Iran, prohibits export of 14 types of potentially militarily useful goods, including inboard and outboard motors, mobile communications equipment, electrical generators, hydrofoil vessels. As result, Iranian exports to US, mainly oil, drop to zero from \$1.6 billion in 1987. (CRS 1988/1992, 103; *International Trade Reporter*, 28 October 1987, 1312; US Department of Commerce 1990, *Annual Foreign Policy Report to Congress*, 10)
- July 1988 UN-sponsored ceasefire in Iran-Iraq war takes effect; peace talks begin. (*Facts on File*, 622)
- February 1989 Ayatollah Ruhollah Khomeini calls on Muslims to "execute" British author Salman Rushdie for blasphemy in his novel, *The Satanic Verses*. Rushdie goes into hiding in UK; Iran breaks diplomatic relations with UK over incident. (*Financial Times*, 11 May 1990, 26)

- 8 June 1989                      Shortly after death of Khomeini, President George Bush conditions normalization of relations with Iran on "renunciation of terror," efforts by new government in Iran to "facilitate" release of American hostages still held in Lebanon. (*Facts on File*, 419)
- 6–7 November 1989              US, Iran work out arrangement for releasing \$567 million in frozen assets. Administration officials deny that deal is linked to Iranian President Ali Akbar Hashemi Rafsanjani's offer to help in obtaining release of hostages in Beirut. Iranian assets valued at \$900 million remain frozen. In addition, Iran claims that US is withholding \$12 billion in military equipment, spare parts that it has paid for; US insists amount is much smaller. (*The New York Times*, 8 November 1989, A14)
- Late April 1990                      Within days of one another, two American hostages, Robert Polhill and Frank Reed, are released in Lebanon following "intensive negotiations and pressure exerted on the kidnapers" by Iran, Syria. In written statement on each occasion, Bush thanks Syria and Iran, "whose efforts have contributed to the release" of the hostages. Despite hostage releases, State Department's report on nations supporting terrorism is released and both Syria and Iran remain on it. (*Washington Post*, 23–24 April 1990, A1; 1 May 1990, A18; 2 May 1990, A1)
- 1 May 1990                              State Department legal adviser, Abraham D. Sofaer, flies to The Hague for previously scheduled meeting to discuss disposition of remaining frozen Iranian assets. In Washington, White House spokesman Marlin Fitzwater says US will not ask Israel to release Arab prisoners, as demanded by Iran and its allies in Lebanon. Instead, "referring to the Israeli prisoners, 'our policy is that all hostages should be released.'" (*Washington Post*, 2 May 1990, A1)
- 3 May 1990                              While reiterating that he will not negotiate for release of hostages, Bush offers, as "gesture of goodwill," to help Iran find out what happened to four Iranians, including two diplomats, who disappeared in Lebanon in 1982 (all four are believed dead). Three days of talks on frozen assets end without agreement. (*Washington Post*, 4 May 1990, A1, A20)
- Summer 1990                              Iraq invades and occupies Kuwait, which prompts a massive build-up of US forces in Saudi Arabia and the Gulf. Iran denounces US intervention in the region, but remains neutral in the conflict and generally abides by UN resolutions sanctioning Iraq. (See Case 90-1 US, UN V. Iraq [1990-: Invasion of Kuwait])

- November 1990 Citing a 1987 Treasury Department regulation, President Bush authorizes US companies to import Iranian oil on a case-by-case basis; payments for the oil will go into escrow fund established in 1981 as part of the Iran-US Claims Tribunal. (*Wall Street Journal*, 24 December 1990; *Washington Post*, 31 December 1990, A10)
- 1990 Congress passes the Foreign Appropriations Act and specifies in Section 512 that its ban on direct aid to Iran includes Export-Import Bank credits, guarantees and insurance. (CRS 1992, 585)
- July 1991 Professor Itashi Igarashi, who translated Salman Rushdie's *Satanic Verses*, is assassinated in Japan. Japanese police suspect that act was carried out with assistance of the Iranian embassy in Tokyo. (*Financial Times*, 29 April 1994, 4)
- December 1991 Hostage Terry Anderson, the Associated Press' chief Middle East correspondent, is released. Anderson, kidnapped in Beirut in March 1985, was last American hostage in Lebanon to be freed. (*Washington Post*, 25 March 2000, A5)
- 23 October 1992 Iran-Iraq Arms Non-Proliferation Act, introduced by Senator John McCain (R-AZ), becomes law; it extends to Iran the same export and licensing prohibitions as are applied to Iraq under the Iraq Sanctions Act of 1990. Sanctions prohibit export of defense items, nuclear material, certain goods under Export Administration Act, and denial of Export-Import Bank financing. It also calls for sanctions against any foreign government or person contributing "knowingly and materially to the efforts by Iran and Iraq (or any agency or instrumentality of either such country) to acquire destabilizing numbers and types of advanced conventional weapons." (President's Export Council 1997, I-8, I-9; Public Law 102-484)
- March 1994 The Central Bank of Iran announces that it has reached an agreement with Japan to reschedule \$2.3 billion in loans despite US and British pressure on Japan to refuse to reschedule the debt. (*Financial Times*, 29 April 1994, 4)
- 24 November 1994 US Office of Technology Assessment (OTA) reports that US officials blocked Iranian purchase of highly-enriched uranium (HEU) from a reactor in Kazakhstan; the material was sufficient to produce 20 nuclear warheads. (*Nuclear Proliferation News*, 20 December 1994)

- December 1994 Under pressure from the United States, Japan announces it will delay a \$470 million loan for an Iranian dam project. (*Washington Post*, 18 February 1995, A6)
- 25 January 1995 Senator Alfonse D'Amato (R-NY) and Chairman of the Senate Banking Committee, introduces a bill to bar all trade with Iran, except humanitarian goods, and to cut off estimated \$3.5-\$4 billion a year in Iranian oil purchased by subsidiaries of US companies and sold in third countries. (*Journal of Commerce*, 22 February 1995, 1A; 29 March 1995, 1A)
- February 1995 The US charges that, since October, Iran has been fortifying islands in the Straits of Hormuz with 5,000 troops equipped with anti-ship and surface-to-air missiles. The US also points to the Iranian acquisition of two submarines from Russia as a sign of a continuing Iranian threat to shipping in the Persian Gulf area. (*Washington Post*, 18 February 1995, A6)
- 15 March 1995 The Clinton administration issues executive order barring US citizens and companies from financing, supervising and managing oil development projects in Iran. Executive order blocks pending Conoco deal with Iran valued at \$1 billion. The move is widely seen as an attempt by administration to pre-empt congressional pressure for sanctions. (*Journal of Commerce*, 20 March 1995, 6A; 9 November 1995, 3A)
- March 1995 Russia signs a \$1 billion deal to provide Iran with a nuclear reactor; Russia rejects appeal by US Defense Secretary William Perry to cancel deal. (*Journal of Commerce*, 4 April 1995, 2A)
- 27 March 1995 To supplement the sanctions bill introduced in January, Senator D'Amato (R-NY) introduces a bill that would punish foreign corporations that engage in trade with Iran. The "Comprehensive Iran Sanctions Act of 1995" would prohibit US government procurement from any foreign companies doing business with Iran and forbid the issuance of export licenses to affiliates of foreign firms operating in Iran. (*Journal of Commerce*, 29 March 1995, 1A)
- 3 April 1995 Exxon announces that it will sign a \$7.4 billion deal with Azerbaijan to develop oil fields in the Caspian Sea; the Iranian Oil Company was competing for the same 5 percent stake in the project. The US government pressured American companies to block Iran's participation. (*Journal of Commerce*, 11 April 1995, 5A)

- 30 April 1995 Citing proliferation and terrorist concerns, the White House announces it will ban, effective 8 June 1995, all direct US trade with Iran, as well as an estimated \$4 billion in indirect trade, mainly by American companies selling Iranian oil in third countries. French, German and British officials call sanctions the wrong approach and announce they will continue their policy of “critical dialogue” with the Iranian regime. Oil analysts estimate that Iran will have no trouble finding buyers for its exports to replace American companies. (*Journal of Commerce*, 1 May 1995, 1A; 16 May 1995, 3A; *Washington Post*, 3 May 1995, A27)
- July 1995 Citing increased costs for and delivery of equipment for any transaction involving Iran because of US sanctions, Royal Dutch/Shell pulls out of bid to develop the off-shore oil projects Conoco was forced to forgo in March. French company Total signs a \$600 million deal to invest in two Sirri oilfields. The agreement marks the first time Iran has permitted a foreign oil company to invest in the country since the 1979 revolution. The Clinton administration protests the deal, and calls on France not to extend export credits. (*Journal of Commerce*, 5 July 1995; *Washington Post*, 9 August 1995, F1)
- 9 July 1995 Although France, China, India and Pakistan have all increased their imports of Iranian crude, Iran negotiates with South Africa to store 15 million barrels of oil in response to a temporary surplus resulting from the ban on US firms’ purchases of Iranian oil. (*Washington Post*, 9 August 1995, F1)
- 11 November 1995 Iran hosts an international investment conference in Tehran aimed at attracting FDI for its petroleum industry. While several major firms choose not to attend, the meeting draws representatives from over 100 foreign companies. (*Journal of Commerce*, 9 November 1995, 3A)
- 20 December 1995 US Senate overwhelmingly approves the "Iran Foreign Oil Sanctions Act of 1995," requiring US sanctions on foreign companies that invest over \$40 million in Iran's oil and gas industries. Sen. Edward Kennedy (D-MA) adds a last-minute amendment to the bill that extends the sanctions to Libya. (*Inside US Trade*, 22 December 1995, 6)
- 31 December 1995 US Congress passes a secret intelligence authorization bill that includes \$18 million earmarked for covert action against the Tehran regime. The administration drops its opposition to the bill after language is changed from advocating the "overthrow" of the

- Tehran government to seeking to "change the behavior" of the regime. (*The New York Times*, 26 January 1996, A1)
- 1 January 1996 IRNA, Iran's press agency, announces it will withdraw Iranian films from the American Academy Awards to protest the congressional decision to fund "covert" operations against Tehran. (*Washington Post*, 2 January 1996, C7)
- 4 January 1996 Iranian officials announce they plan to sign a \$700 million contract to purchase Russian airliners. Because of US export sanctions, however, Iran is forced to purchase older models that lack US components. (*Journal of Commerce*, 5 January 1996, 1A)
- 6 January 1996 Iran tests a Chinese-built cruise missile in the Persian Gulf. (*The New York Times*, 31 January 1996, A5)
- 14 February 1996 Senator D'Amato (R-NY) accuses Germany of subsidizing Iran's military threat by rescheduling Tehran's debt. (*Financial Times*, 15 February 1996, 5)
- 28 February 1996 Senator D'Amato sends a letter to the chairman of the Japanese JGC Corporation warning it of possible consequences should it sign onto a deal to develop Iran's off-shore natural gas reserves. (*Wall Street Journal*, 1 March 1996, A11)
- 7 March 1996 Though Iranian officials deny it, US and Israeli intelligence sources allege Iranian involvement in a recent wave of terrorist attacks in Israel. (*New York Times*, 8 March 1996, A8)
- 30 April 1996 Belgian customs officials seize a large mortar from an Iranian shipment of pickles destined for Munich, Germany. Belgian officials speculate the military equipment may have been meant for attacks targeting Israeli interests in Europe. (*The New York Times*, 1 May 1996, A8)
- 2 May 1996 US military officials charge Iran has acquired Nodong II missiles from North Korea and is building underground bunkers to deploy them. (Reuters, 2 May 1996)
- 9 May 1996 German Foreign Minister Klaus Kinkel rejects request from US Secretary of State Christopher to isolate Iran, cites progress made in human rights, hostage, and chemical weapons proliferation issues as a result of Europe's engagement policy. (Reuters, 9 May 1996)

- 19 June 1996 Iran, Libya sanctions bill passes unanimously in the House of Representatives. (*Journal of Commerce*, 20 June 1996, 5A)
- 25 June 1996 A truck bomb explodes outside a US Air Force housing complex near Dhahran, Saudi Arabia, killing 19 American servicemen. Iran will later be suspected of complicity in the attack. (*New York Times*, 3 August 1996, 4)
- 17 July 1996 TWA flight 800 explodes in midair off the coast of Long Island killing all 230 on board. Terrorism is initially suspected but subsequently disproved. The explosion, however, propels passage of the Iran and Libya Sanctions Act within a few days. (*Journal of Commerce*, 19 July 1996, 12B)
- 23 July 1996 The House passes Senate version of the Iran and Libya Sanctions Act (ILSA), which penalizes companies investing over \$40 million in one year in Iran's oil and gas sector; after one year, the annual investment limit triggering sanctions drops to \$20 million. Potential sanctions include two or more of the following: (1) denial of credits from the US Export-Import Bank; (2) denial of export licenses for controlled goods or technology; (3) prohibition of loans of more than \$10 million from US financial institutions for a 12-month period; (4) prohibition of foreign financial institutions from dealing in US government debt or US government funds; (5) prohibition against participation in any US government procurement project; (6) import restrictions.
- Sanctions are required to be in effect for up to two years, and in "no case" can they be applied for less than one year. The President may waive all or part of the sanctions against a foreign company if doing so is deemed to be in the national interest, or if the target country agrees to "undertake substantial measures, including economic sanctions," that will inhibit Iran's efforts to carry out terrorist activities and fund the acquisition of weapons of mass destruction. Bill sunsets five years after enactment unless Congress votes to extend. (PL 104-172; *Wall Street Journal*, 17 July 1996, A16; HR 3107; *Inside US Trade*, 26 July 1996, 4; Reuters, 23 July 1996; *Financial Times*, 25 July 1996, 4)
- 24 July 1996 EU lambastes passage of ILSA. EU Commission announces that regulation being drafted to retaliate against US sanctions on foreign companies trafficking in expropriated US property in Cuba could also be used to retaliate against ILSA. (See also Case 60-3 US v. Cuba [1960-; Castro]) (*New York Times*, 25 July 1996, A14)

- Early August 1996 Defense Secretary William Perry and Speaker of the House Newt Gingrich allude publicly to suspicions of Iranian involvement in the June truck bombing in Saudi Arabia. (*Financial Times*, 5 August 1996, 1)
- 5 August 1996 President Clinton signs ILSA. (*New York Times*, 6 August 1996, A1)
- 8 August 1996 French president Jacques Chirac warns the US of “immediate retaliation” if French companies are targeted under ILSA. French energy firms Total and Elf have interests in the Iranian and Libyan oil industries. (*Journal of Commerce*, 8 August 1996, 2A)
- 10 August 1996 Turkish Prime Minister Necmettin Erbakan visits Teheran to negotiate a \$20 billion natural gas agreement covering the delivery of 140 cubic feet of gas per year and the building of gas pipelines in both countries. Turkey contends that the agreement involves trade, not investment, and therefore would not violate ILSA. (*New York Times*, 11 August 1996, 11; 14 August 1996, A20)
- November 1996 Iranians demonstrate outside the German embassy in Tehran after a Berlin judge issues an international arrest warrant for Iran's supreme leader Ayatollah Sayyed Ali Khamenei and President Hashemi Rafsanjani for their involvement in the murder of four Kurdish-Iranian dissidents in Berlin in 1992. (*International Herald Tribune*, 20 November 1996, 8)
- January 1997 Kazakhstan begins shipping oil across the Caspian Sea to Iran as part of an oil swap agreement negotiated in May 1996 involving 1 to 2 million tons of oil in the first year, increasing to 6 million tons by the year 2000. The deal does not trigger US sanctions, which explicitly exclude "hydrocarbons swaps with Iran by Kazakhstan, Azerbaijan, and Turkmenistan." (*Financial Times*, 6 January 1997, 4)
- 21 January 1997 Turkmenistan and Iran announce construction of a natural gas pipeline linking Turkmen gas fields with the Iranian gas distribution system should be completed by October 1997. (*Financial Times*, 21 January 1997, 7)
- 11 February 1997 US Navy says it has evidence Iran has been helping smuggle tens of thousands of tons of fuel oil out of Iraq each month in contravention of the UN embargo. (*Wall Street Journal*, 13 February 1997, A18)

- 26 February 1997 Total, which is active in Libya, Cuba and Iran, countries against which Washington has applied secondary sanctions, considers selling its 55 percent stake in US operation, Total Petroleum (North America). Total has been trying to sell its US operation for several years, but industry observers suggest Total is exiting the US market to be less vulnerable to sanctions. Total Petroleum lost money in 1995 and 1996 and managed only slight profits in 1993 and 1994. (*The Oil Daily*, 26 February 1997, 1; 4 March 1997, 2)
- 10 April 1997 A German court rules that the Iranian government was behind the murders of four Kurdish dissidents in Berlin in 1992; the German government expels four Iranian diplomats and recalls its ambassador from Tehran, suspends "critical dialogue." Iran denies involvement, and retaliates by recalling its own ambassador from Bonn and expelling four German diplomats. The European Union declares a mass recall of ambassadors from Tehran and joins Germany on suspension of "critical dialogue." New Zealand, Australia, and Canada also recall their ambassadors from Tehran. (*Washington Post*, 11 April 1997, A1; *International Herald Tribune*, 13 April 1997, 1; *Financial Times*, 13 April 1997, 3; *Journal of Commerce*, 15 April 1997, 1A)
- 15 May 1997 Iran announces that it awarded a contract for its Balal oilfield to Britain's Pell Frischman Group, an engineering firm, and Canada's Bow Valley Energy Ltd. Reuters reports that the project could cost \$140 million or more. Bakerie Minarak of Indonesia will form a joint venture with Bow Valley for the investment in the project. (*Journal of Commerce*, 15 May 1997, 1A)
- 23 May 1997 Iran holds presidential elections. Moderate leader Mohammad Khatami, who campaigns for improved human rights, freedom of the press, and domestic tolerance, is elected by a large margin against conservative speaker of the parliament Ali Akbar Nateq Nouri. (*New York Times*, 15 May 1997, 1)
- 31 May 1997 State Department informs Congress that the Chinese government sold cruise missiles to Iran; US officials in Moscow also complain privately to Russia that Russian nuclear cooperation with Iran may exceed previously agreed limits. US intelligence reports indicate that Iran is acquiring the "information and know-how" to develop nuclear weapons. (*Washington Post*, 31 May 1997, A15; 3 July 1997, A7; *New York Times*, 5 June 1997, 6)
- June 1997 Fifty-two American Jewish organizations send a joint letter urging President Clinton not to suspend sanctions against Iran or weaken

- US containment policy in the wake of Khatami's election. (*Journal of Commerce*, 18 July 1997, 3A)
- 18 July 1997 Italy breaks with its European partners and calls for renewing full relations with Iran. (*Journal of Commerce*, 18 July 1997, 3A)
- 26 July 1997 Clinton Administration announces it will not oppose a \$1.6 billion Iran-Turkey pipeline to carry natural gas from Turkmenistan across Iran to Turkey, and eventually to Europe. The Clinton administration suggests that the project does not violate ILSA because it does not constitute an investment in Iran's industry. US Secretary of State Madeleine Albright insists that “there is no attempt here to change policy.” Few foreign observers agree with that characterization. (*Washington Post*, 27 July 1997, A1; *New York Times*, 28 July 1997, A2; *Journal of Commerce*, 31 July 1997, 12A)
- 3 August 1997 Mohammad Khatami takes office in Iran. (*Washington Post*, 4 August 1997, A20)
- 4 August 1997 In response to European moves to return envoys to Tehran, Iran indicates that the German ambassador must be the last to return; German Foreign Minister Klaus Kinkel states the European Union will not allow Tehran to dictate the terms of the return of EU ambassadors. The return is delayed until November and both the German and French ambassadors return a week after the other EU ambassadors. (*Financial Times*, 5 August 1997, 3; Associated Press, 13 November 1997)
- 5 August 1997 The Clinton administration announces it will consider approving more pipelines through Iran, with priority to projects that benefit other countries friendly to the United States. (*Journal of Commerce*, 5 August 1997, 3A)
- 19 August 1997 President Clinton issues an executive order that explicitly prohibits re-exports of US goods, technology and services to Iran. (*Inside US Trade*, online version, 29 August 1997)
- September 1997 Israeli Prime Minister Binyamin Netanyahu claims that Iran is receiving aid from Russia to develop ballistic missiles, and presses the United States to impose economic sanctions on Russia under the Iran-Iraq Sanctions Act of 1992. Israeli intelligence reports claim Iran is less than a year away, given continued foreign assistance, from being able to produce long-range missiles. (*Washington Post*, 25 September 1997, A31)

- 28 September 1997 Despite US pressure, Total announces it will proceed, along with Russian firm Gazprom and Petronas of Malaysia, with its proposed \$2 billion investment in the Iranian South Pars gas field. The project is one of the largest Iran opened for foreign investment in September 1995. Total has already drawn attention from Washington for a deal to develop the Sirri oil field after Clinton's March 1995 executive order barring Conoco's participation. The European Union confirms its continued support for Total's investment plans. (*Financial Times*, 9 September 1997, 10; *New York Times*, 29 September 1997, A3; *Journal of Commerce*, 30 September 1997, 1A *Christian Science Monitor*, 1 October 1997, 6; *Financial Times*, 31 October 1997, 6)
- Early October 1997 Clinton administration announces that it will waive sanctions on French firm Total if the European Union agrees to increase enforcement of export controls on dual-use items; sign and implement six additional counter-terrorism conventions; and reduce the number of Iranian diplomats in Europe. (*Journal of Commerce*, 2 October 1997, 5A, 12A; 7 October 1997, 1A; *Washington Post*, 4 October 1997, A1)
- 20 October 1997 US officials contradict statements made earlier and declare that the proposed Turkmenistan-Turkey pipeline through Iran might be sanctionable under ILSA. Officials say the earlier statement was based on signing a memorandum of understanding, which is not sanctionable, while contracts are. (*Journal of Commerce*, 21 October 1997, 3A)
- November 1997 Iran ratifies Chemical Weapons Convention. (*Washington Post*, 17 November 1997, A22)
- 14 December 1997 At a press conference, President Khatami calls for "thoughtful dialogue" with Americans, whom he refers to as the "great people of the United States." The US administration responds cautiously, calling it a "potentially positive statement." (*Washington Post*, 15 December 1997, A1)
- 7 January 1998 In a televised interview with CNN, President Mohammad Khatami expresses regret for the 1979 hostage-taking and calls for increased unofficial exchanges to break down "the bulky wall of mistrust between us and the US administration." However Khatami rules out official contacts between the American and Iranian governments. The US government states that issues between the countries need be addressed in government-to-government talks. A few days later, Ayatollah Khomeini undercuts Khatami's words by painting the United States a "great satan," unworthy of trust.

(*Washington Post*, 8 January 1998, A1; *New York Times*, 8 April 1998, A6)

- January 1998 Undersecretary of State Eizenstat calls sanctions against Total “a live option” and notes that sanctions would also apply to Canada’s Bow Valley Energy for its \$212 million project to develop an Iranian oil field. (*Journal of Commerce*, 8 January 1998, 2A)
- 13 February 1998 Despite potential sanctions under ILSA, Royal Dutch/Shell announces that it is still negotiating two deals with Iran, one to export Iranian gas to Pakistan and the other to export Turkmenistan’s gas to Turkey through Iran. (*Journal of Commerce*, 13 February 1998, 8A)
- 21 February 1998 Despite US objections, Russia decides to expand role in building nuclear power plant in Iran. (*Washington Post*, 22 February 1998, A30)
- 23 February 1998 In order to encourage moderate forces in Iran the European Union lifts ban on high-level contacts with Iran, imposed in April 1997 because of Iran’s involvement in the 1992 killing of Kurdish dissidents in Berlin. (*Financial Times*, 24 February 1998, 2)
- April 1998 Secretary of State Madeleine Albright softens US warning against Americans traveling in the Islamic republic. (*International Herald Tribune*, 3 April 1998, 2)
- 2 April 1998 Unless action is taken before Congress reconvenes, Chairman Benjamin Gilman (R-NY) warns the administration that his committee will “explore whether there has been a willful decision not to enforce” ILSA. The administration dismisses the idea of a deadline for finishing its investigation of Total gas deal and Canada’s Bow Valley oil sector deal. (Reuters, 4 April 1998; *Journal of Commerce*, 7 April 1998, 4A)
- 4 April 1998 Tehran’s mayor, a leading reformer and ally of President Khatami, is jailed on corruption charges. Khatami’s government condemns the decision as politically motivated. The event is seen as a proof of the power struggle between reformers and hard-liners. (*Washington Post*, 7 April 1998, A18; *New York Times*, 8 April 1998, A6)
- 14 April 1998 Under pressure from Congress, the Clinton administration allows Radio Free Iran to begin propaganda broadcasts aimed at Iran. (*New York Times*, 15 April 1998, A3; *Journal of Commerce*, 17 April 1998, 3A)

- 15 April 1998 In the wake of growing popular unrest, Iranian authorities release Tehran's mayor. (*New York Times*, 16 April 1998, 10; *Financial Times*, 16 April 1998, 14)
- 27 April 1998 According to report by the Middle East Economic Survey, Royal Dutch/Shell has decided to sign a framework agreement worth \$2.5 billion to develop Iran's South Pars gas field. (*Agence France Presse*, 27 April 1998)
- 30 April 1998 State Department publishes annual report on terrorism and cites Iran as the world's number-one state sponsor of such activities. (*New York Times*, 1 May 1998, A11)
- 9 May 1998 Several Senators, including Banking Committee Chairman D'Amato, Majority Leader Lott and Foreign Relations Committee Chairman Jesse Helms, urge president Clinton not to grant a waiver on ILSA sanctions against Total, Petronas and Gazprom, claiming that such a waiver would "reveal the United States as a paper tiger, thus opening the floodgates for further investments." (*Washington Post*, 9 May 1998, A20)
- 18 May 1998 Clinton administration waives the imposition of sanctions against Total, Gazprom and Petronas for national security reasons under section 9(c) of ILSA (see Legal Notes). The administration justifies its decision, by citing both enhanced cooperation with European countries against terrorism and proliferation of weapons of mass destruction. The administration also announces that 9(c) waivers would be extended in the future to other EU companies investing in Iran if the current level of cooperation by the EU on terrorism and non-proliferation remains the same. Targeted companies, Iran and the EU welcome the move. US companies, still barred from investing in Iran claim that they are at a competitive disadvantage with European companies because of the waiver and press the administration to abandon all sanctions against Iran. (*USIS*, 18 May 1998; *Journal of Commerce*, 20 May 1998, 1A; *New York Times*, 20 May 1998, A13; *Washington Post*, 20 May 1998, A19; *Financial Times*, 19 May 1998, 11)
- 20 May 1998 Argentina announces it has "absolutely no doubt" that Iran was behind two bombings in Buenos Aires that took the lives of 110 people and injured hundreds more. According to a former Iranian intelligence officer, the former Iranian cultural attaché in Argentina helped plan the bombing of the Israeli embassy in 1992 and the Jewish Community Center in 1994. Argentina expels all Iranian diplomats but one. Iran denies involvement in the incidents

and responds by expelling all Argentine diplomats in Tehran but one. (*Washington Post*, 21 May 1998, A20)

22 May 1998

Senate votes 90-4 to approve the Iran Missile Proliferation Sanctions Act introduced in House by Representative Benjamin Gilman (R-NY). The bill would deny arms export licenses and eliminate US aid to foreign firms that help Iran develop its missiles, jeopardizing \$2.5 billion in American contracts with Russian companies and \$140 million in American aid to Russia's space program. The House of Representatives approves the Act by a vote of 392-22 on 9 June. (*International Trade Reporter*, 27 May 1998, 933; *Journal of Commerce*, 28 May 1998, 1A; *Inside U.S. Trade*, 29 May 1998, 23; USIS, 10 June 1998; USIS, 24 June 1998; *International Trade Reporter* 15, no. 26, 1152)

17 June 1998

While demanding that Iran turn away from terrorism and assure the world that it is not developing weapons of mass destruction, Secretary of State Albright praises President Khatami as a man who "deserves respect because he is the choice of the Iranian people." Praising "signs of change" in Iran, Albright states: "As the wall of mistrust comes down, we can develop with the Islamic republic, when it is ready, a road map leading to normal relations." Iranian Foreign Minister Kamal Kharrazi welcomes Albright's comments but states that lifting of US sanctions is a prerequisite for improved relations. (*New York Times*, 18 June 1998, A12; *Washington Post*, 19 June 1998, A32)

23 June 1998

President Clinton vetoes the Iran Missile Proliferation Sanctions Act. Clinton states the bill "mandates the sweeping applications of sanctions according to inflexible and indiscriminate criteria," and declares that it would have negative impact on US-Russian cooperation on proliferation issues. (USIS, 24 June 1998; *International Trade Reporter* 15, no. 26, 1152)

2 July 1998

Iran hopes to attract \$8 billion of foreign investments for 43 new projects in its energy sector at a conference with international investors in London. Other estimates put the likely figure at over \$5 billion. American oil representatives attend the conference but are barred from bidding for the projects by sanctions. (*Financial Times*, 2 July 1998, 18; 3 July 1998, 3; *Journal of Commerce*, 6 July 1998, 9A)

July 1998

To avoid Congressional override of his June 23 veto, President Clinton stops all US exports and aid to and imports from nine Russian institutes and enterprises under investigation by the

- Russian government for supplying missile technology to Iran. (*Journal of Commerce*, 17 July 1999, 1A)
- 22 July 1998 Iran tests a missile with an 800-mile range, capable of reaching Israel. American officials say the “Shahab 3” missile came from North Korea. (*New York Times*, 23 July 1998, A1; *Journal of Commerce*, 24 July 1998, 1A)
- 24 July 1998 After an emotional public trial, mayor of Tehran is sentenced to five years in prison for embezzlement. The trial was seen as a show of strength by hard-liners opposing President Khatami’s reforms. (*Wall Street Journal*, 24 July 1998, A13)
- 22 September 1998 In New York to address the UN General Assembly, President Khatami reiterates a call for a “dialogue of civilizations” between Islam and the West. However, he cites US sanctions, freezing of Iranian assets and US efforts to prevent the construction of an international gas pipeline across Iran from Central Asia to Turkey as preventing government to government talks. With regard to terrorism, Khatami denies Iran gives any military aid to Hamas and Hezbollah, but admits “nonmilitary aid.” (*New York Times*, 23 September 1998, A7; *Washington Post*, 23 September 1998, A21)
- 24 September 1998 Iran officially drops its death threat against Rushdie; Foreign Minister Kamal Kharrazzi states, “The Government of the Islamic Republic of Iran has no intention, nor is it going to take any actions whatsoever to threaten the life of the author of `The Satanic Verses. . .nor will it encourage anyone to do so.” British Foreign Secretary Robin Cook announces Britain can now restore diplomatic ties with Iran. (*New York Times*, 25 September 1998, A1, A6)
- 3 November 1998 In response to the Czech Republic’s agreement to host a Persian-language Radio Free Europe/Radio Liberty broadcast into Iran, Iran recalls its ambassador from the Czech Republic. A Foreign Ministry spokesman says the Czechs have “backed hostile action by America.” (*Washington Post*, 4 November 1998, A14)
- 5 November 1998 US Treasury Department’s Office of Foreign Assets Control rejects a bid from Optimarket Inc. to swap oil from Kazakhstan with Iran. Ambassador Richard Morningstar, coordinator for Caspian energy policy, indicates that oil swaps would run counter to US policy of preventing Iran from become a major route for oil shipments to western markets. Mobil has a similar oil-swap application pending. (Reuters, 5 November 1998)

- 9 November 1998 Despite US pressure, Turkey begins construction of pipeline to carry gas from Iran and Turkmenistan to Ankara. Turkey claims it is not violating ILSA because Iran is funding the construction of pipe on the its side. (*Journal of Commerce*, 10 November 1998, 17A; 12 November 1998, 3A; *Washington Post*, 13 December 1998, A40)
- 25 November 1998 Russia signs an \$800 million deal to finish building the Bushehr nuclear power plant in Iran; announces it may bid on three more nuclear reactors for \$3 billion. Russia assured US that agreement concerns peaceful nuclear cooperation only. (*International Herald Tribune*, 26 November 1998, 12; *Financial Times*, 26 November 1998, 2)
- 4 December 1998 Argentina charges an Iranian woman, Nahrim Mokhtari, in relation to the 1992 attack on the Israeli embassy and the 1994 attack on a Jewish community center. (*International Herald Tribune*, 5-6 December 1998, 1)
- 7 December 1998 President Clinton takes Iran off the list of drug-source and transit nations due to its successful campaign to destroy opium plants. The move has no immediate effect because Iran, listed as a sponsor of international terrorism, receives no economic or military aid from the US. Senior officials state that US will continue to vote against loans to Iran by multilateral lending institutions. (*Financial Times*, 8 December 1998, 4; *Washington Post*, 8 December 1998, A23)
- 9 December 1998 Royal Dutch/Shell announces it will not build a gas pipeline in Iran to carry gas from Turkmenistan to Turkey. According to Shell officials, the decision was a result of disagreements with Iran and not US sanctions under ILSA. (*Journal of Commerce*, 11 December 1998, 1A)
- 14 December 1998 The Niki Trading Company formally asks the Treasury Department for a waiver of sanctions to allow the sale of about \$500 million worth of farm products to Iran. Ten agricultural trade associations as well as thirty-two congressmen write letters to President Clinton endorsing the waiver. (*Journal of Commerce*, 21 December 1998, 1A; *Washington Post*, 19 January 1999, A15)
- 29 January 1999 Australia announces it is resuming high-level contacts with Iran in hopes of expanding trade. (*Financial Times*, 30-31 January 1999, 3)

- Mid February 1999 Iran's Supreme Economic Council approves a deal with the UK's Premier Oil and Canada's Bow Valley to develop an offshore oil field. US State Department declares it will apply ILSA against the companies assuming the \$270 million deal is finalized. (*Financial Times*, 19 February 1999, 5; *Wall Street Journal*, 10 March 1999, A19)
- 23 February 1999 Clinton Administration officially imposes import sanctions on 10 Russian entities for giving assistance to Iran in their nuclear and missile programs. (*Journal of Commerce*, 24 February 1999, 3A)
- 1 March 1999 France's Elf Aquitaine and Italy's ENI SpA sign a deal worth nearly \$1 billion with Iran to develop the Doroud oil field. US State Department it will review the sale under ILSA. (*Financial Times*, 2 March 1999, 1; *Journal of Commerce*, 4 March 1999, 7A)
- 9 March 1999 Iranian President Mohammad Khatami arrives in Italy for the first visit in the West by an Iranian leader since 1979. (*New York Times*, 10 March 1999, A3)
- 15 March 1999 Russia's Atomic Energy Minister reportedly offers to scale back nuclear cooperation with Iran if the US drops sanctions against two leading nuclear research institutes in Russia. (*New York Times*, 17 March 1999, A12)
- 28 April 1999 President Clinton announces that the US will exempt exports of food and medicine from future sanctions imposed by the executive branch. The new rules also apply to food and medicine sales to Iran, Libya, and Sudan, which will be permitted on a case-by-case basis. Specific licensing rules will be drawn up for each country and there will be no US government, funding, financing or guarantees for the sales. (USIS, 28 April 1999; *Journal of Commerce*, 4 May 1999, 8A)
- 28 April 1999 Clinton administration informs Mobil it may not participate in oil swapping arrangement involving Caspian Sea oil and Iran. (*Washington Post*, 29 April 1999, A23)
- 18 May 1999 Britain and Iran restore full diplomatic ties. (*International Herald Tribune*, 19 May 1999, 5)
- June 1999 White House issues a statement of concern regarding the arrest of 13 Iranian-Jews in Iran on espionage charges; denies that individuals were involved with US government. World Bank officials state that talks about resuming loans to Iran are stalled due

to US objection after the arrests. Two pending projects are put on hold. (USIS, 8 June 1999; *Washington Post*, 23 June 1999, A18)

- July 1999                      Week-long pro-democracy demonstrations in Tehran are suppressed by forces loyal to conservative elements in Iranian government, leading to worst social unrest in Iran since 1979. (*New York Times*, 14 July 1999, A8; *Washington Post*, 15 July 1999, A19; *Financial Times*, 5 August 1999, 5)
- August 1999                    President Clinton sends a secret letter to President Khatami requesting Iran's assistance in the investigation of the 1996 bombing of the US military installation in Dhahran, Saudi Arabia. Clinton is holding out the prospect of better relations between the two countries in exchange for Iran's cooperation. Iran denies any involvement and rejects Clinton's request. (*Washington Post*, 29 September 1999, A2; 7 October 1999, A30)
- September 1999                According to US Department of Agriculture Iran purchased 150,000 metric tons of American corn over last several weeks. (*Wall Street Journal*, 20 September 1999, B11G)
- 27–30 October 1999            During three day state visit in France, Iranian President Khatami stresses Iran's need for economic assistance to expand democracy and accountable government. He calls on France's trade insurance agency to increase export guarantees to Iran. (*Financial Times*, 27 October 1999, 7; 30/31 October 1999, 3)
- 14 November 1999              Royal Dutch/Shell signs an \$800 million agreement with Iran for the development of two off-shore oil fields. Shell is the first company with significant investments in the US to undertake such a deal with Iran. (*Financial Times*, 15 November 1999, 1; *Wall Street Journal*, 16 November 1999, A21)
- 22 November 1999              Iran rejects US proposal for consular visits. (*New York Times*, 24 November 1999, A8)
- 29 November 1999              Britain announces an aid package totaling \$3 million to assist Iran fight against drug traffic. (*Financial Times*, 29 November 1999, 8)
- Early December 1999            US officials say that intelligence reports suggest that Iran has recently increased aid to terrorist groups opposing the Middle East peace process. At the same time, for safety reasons, Clinton administration grants license to Boeing to provide Iran with parts for its airplanes. (*Washington Post*, 4 December 1999, A1, A16)

- 17 February 2000 Secretary of State Albright announces that the administration is looking into ways to help victims of state-sponsored terrorism collect court-ordered damages by identifying Iranian assets that could be used. Several former hostages have filed lawsuits against Iran under amendments to the Foreign Sovereign Immunities Act passed in 1996. (*Washington Post*, 17 February 2000, A6)
- 18 February 2000 With a voter turn out of more than 80 percent, reformists win two-thirds of the seats in parliamentary elections in Iran. US State Department spokesman James Rubin says the results show that Iranian people want “engagement with the rest of the world” and “greater freedom within Iran.” (*New York Times*, 21 February 2000, A8; *Financial Times*, 22 February 2000, 8)
- 15 March 2000 Ending a two-year dispute with Congress that began after his June 1998 veto, President Clinton signs the Iran Nonproliferation Act of 2000 into law. Act requires the president to send report to Congress identifying countries and entities assisting Iran with its weapons programs and gives the president the authority to impose sanctions on these countries but does not make sanctions mandatory. The act also bar the US from making “extraordinary” payments to the Russian Space Agency to build the International Space Station or any other organization of the Russian government until the president determines that Russia is actively opposing proliferation in Iran. The president may waive sanctions for national security reasons. (USIS, 15 March 2000; *International Trade Reporter*, 23 March 2000, 498; Public Law 106–178; *Arms Control Today* 30, no. 3, 1 April 2000, 26.)
- 17 March 2000 In a speech before the American Iranian Council, Secretary of State Albright announces that US will lift ban on Iranian non-oil exports such as carpets, caviar, pistachios and dried fruit. Expressing regret for past US involvement in Iran, Albright states that US will increase efforts to reach a settlement to all legal and financial claims between the two countries and to reduce barrier to cultural exchanges. US sanctions barring American investment in Iran’s oil sector, however, remain in place. Iranian officials welcome the US initiative but state that steps taken are not sufficient to begin official talks with Washington. (*Washington Post*, 17 March 2000, A20; 18 March 2000, A14; *New York Times*, 18 March 2000, A1, A5)
- 14 April 2000 US government determines that five entities in North Korea and Iran have engaged in missile technology proliferation activities that require imposition of sanctions under the Arms Export Control Act. Sanctions are largely symbolic. Iran denies US allegations and

states it will not be affected by the new US sanctions against its defense and aerospace industries. (USIS, 6 April 2000; Reuters, 16 April 2000)

- April 2000 Reformers in Iran come under increased pressure from Islamic conservatives. Conservative judiciary closes down several liberal newspapers, jails writers and partly annuls results of parliamentary elections. Shutdowns are followed by student protests in Teheran. (*New York Times*, 25 April 2000, A10; 26 April 2000, A10)
- 25 April 2000 Iran's president Mohammad Khatami appeals for calm and unity in wake of additional shutdowns of reformist publications. US condemns newspaper closures. (*Financial Times*, 25 April 2000, 1; *New York Times*, 26 April 2000, A10)
- 19 May 2000 World Bank approves first loans to Iran in seven years after vote was postponed twice due to US objections. US opposes \$232 million loans arguing that awarding these loans while 13 Jews are on trial for espionage is inappropriate. In addition, US executive director is required by law to vote against loans to countries that sponsor terrorism. (*New York Times*, 19 May 2000, A15; *Financial Times*, 19 May 2000, 6)
- 21 May 2000 Hard-liner dominated Council of Guardians nullifies more than a quarter of the ballots cast in Teheran in parliamentary elections. Despite annulments, reformists win majority of seats and for the first time since 1979 control parliament. (*Financial Times*, 22 May 2000, 8; *International Herald Tribune*, 27 May 2000, 1)
- 1 July 2000 Revolutionary court convicts 10 of the 13 Iranian Jews of spying for Israel and sentences them to prison terms ranging from 4 to 13 years. Three others are acquitted. President Clinton criticizes decision and calls upon Iran to "overturn these unjust sentences." European Union and Israel also condemn the trial. (*Washington Post*, 2 July 2000, A1, A25)
- 10–13 July 2000 During state visit of Iranian President Khatami, German government announces a five-fold increase in export credit guarantees to DM 1 billion (\$400 million) to boost trade with Iran. (*Washington Post*, 11 July 2000, A16; *Financial Times*, 11 July 2000, 2)
- 15 July 2000 Iran successfully test-fires a second Shahab-3 missile, capable of reaching Israel and US troops stationed in Saudi Arabia. (*Washington Post*, 16 July 2000, A21)

- 3 August 2000 Despite US objections, Turkey signs 25-year \$20 billion natural gas agreement with Iran. (*Financial Times*, 3 August 2000, 5)
- 24 August 2000 Iranian Parliament approves draft legislation to encourage direct foreign investment, a move welcomed by foreign business community. To become law, the bill must be approved by the Council of Guardians. (*Financial Times*, 24 August 2000, 6)
- 6 September 2000 Iranian President Khatami gives speech at the United Nations during week-long visit in New York. Secretary of State Madeline Albright attends the speech but no meetings between Albright and Khatami are scheduled. (*New York Times*, 6 September 2000, A12; *Financial Times*, 6 September 2000, 8, *Washington Post*, 6 September 2000, A14)
- 21 September 2000 Appeals court reduces the sentences for 10 Jews by two to six years citing “Islamic kindness and generosity.” US, Jewish groups criticize courts actions as insufficient and call for prisoners’ release. (*New York Times*, 22 September 2000, A5)
- 13 October 2000 The *New York Times* reports that Vice-President Gore and former Russian Prime Minister Chernomyrdin signed a secret agreement in 1995 in which the US pledges not to impose sanctions against Russia in exchange for Russia’s commitment to stop sale of conventional weapons to Iran after 1999. (*New York Times*, 13 October 2000, A1, A24; *Washington Post*, 14 October 2000, A8)
- 28 October 2000 President Clinton signs legislation that provides more than \$213 million in compensation payments to eight victims of terrorism that have won judgments against Iran in US federal courts. As a compromise between the Administration and Congress, which called for the use of frozen assets to pay judgments, the US Treasury will pay the victims up front and US government assumes responsibility for collecting the money from Iran. The legislation also requires that no Iranian assets be released or relations with Iran be resumed until the compensation claims are addressed. (*Washington Post*, 22 October 2000, A1, A10; White House Press Release, 28 October 2000; Dow Jones International News, 29 October 2000)
- 2 November 2000 Iran grants Japan first negotiating rights over part of its Azadegan oilfield. The agreement is announced during a visit to Japan by President Khatami and Bijan Zanganeh, Iran’s oil minister. (*Financial Times*, 2 November 2000, 6)

- November 2000 Russia notifies US that it will withdraw from the 1995 Gore-Chernomyrdin agreement effective December 1, because secrecy pledge has been violated by recent press reports. State Department threatens Russia with sanctions if it abandons the 1995 agreement. (*Washington Post*, 5 December 2001, A43; 29 December 2000, A1; Dow Jones International News, 27 November 2000)
- 22 January 2001 US State Department announces the possibility of sanctions against China's Sinopec for possible ILSA violations. (*Financial Times*, 23 January 2001, 15)
- 1 February 2001 US officials warn that Halliburton's new Tehran office might violate US sanctions. (*Wall Street Journal*, 1 February 2001, A17)
- 12 March 2001 During state visit to Moscow, Iranian President Khatami and Russian President Vladimir Putin sign first cooperation and security agreement since Iranian revolution. Khatami and Putin also discussed multibillion-dollar arms trade and completion of Bushehr nuclear power plant. (*Washington Post*, 13 March 2001, A14; *Financial Times*, 13 March 2001, 1)
- 4 April 2001 European officials continue lobbying the Bush administration against ILSA renewal. (*Washington Times*, 4 April 2001, B7)
- 8 June 2001 President Mohammad Khatami is reelected with 77 percent of the votes. (*New York Times*, 9 June 2001, A1; 21 June 2001, 10)
- 30 June 2001 Italian energy group Eni signs a \$900 million oil contract for development of Iran's Darkhoein field, making Eni the largest foreign contractor in Iran. (*Financial Times*, 2 July 2001, 5; *New York Times*, 1 July 2001, 4)
- 8 July 2001 Japan's National Oil Corporation signs an agreement to fund seismic analysis of Iran's Azadegan oilfield. (*Financial Times*, 9 July 2001, 9)
- 9 July 2001 UK's Abbot Group and France's TotalFinaElf win a \$50 million contract to drill in Iran's Dorood oil field. (*Financial Times*, 10 July 2001, 28)
- 27 July 2001 Congress renews ILSA for another five years, despite opposition from the US business community and the Bush administration. The "ILSA Extension Act of 2001" requires the president to submit a report to Congress within 24 to 30 months on the effectiveness of the sanctions, their impact on other US economic and foreign policy interests and the humanitarian situation in Iran and Libya.

The president can also recommend that ISLA be modified or terminated. European Commission criticizes the ILSA extension and threatens to retaliate if sanctions are imposed against European companies. (*International Trade Reporter*, 2 August 2001, 1243; White House Press Release, 3 August 2001; Katzman 2006, 35; Reuters, 3 August 2001)

- 11 September 2001 Terrorists hijack four commercial airliners and crash them into the World Trade Center towers, the Pentagon and the Pennsylvania countryside. Evidence immediately implicates the al Qaeda network of Osama bin Laden. On national television, President Bush announces that the US will make “no distinction” between terrorists and countries that harbor them in its hunt for those responsible in the attacks. (*Washington Post*, 12 September 2001, A1)
- 29 January 2002 President Bush delivers his State of the Union address, declaring Iran part of an “axis of evil.” (*Washington Post*, 30 January 2002, A01)
- 5 February 2002 Secretary of State Colin Powell testifies before the Senate foreign relations committee, defending Bush’s hardline approach to Iran but saying the US is not opposed to dialogue. (*Financial Times*, 6 February 2002, 8)
- Iranian Foreign Minister Kamal Kharrazi expresses “strong indignation” regarding President Bush’s inclusion of Iran in the axis of evil and warns that US support for Israel could undermine Iranian support in anti-terrorist efforts. (*Washington Post*, 6 February 2002, A12)
- 13 February 2002 US blocks Iran’s bid to join the WTO. (*Financial Times*, 14 February 2002, 9)
- 10 July 2002 Iran raises 500 million Euros in a bond issue, tapping international capital markets for the first time since 1979. (*Financial Times*, 11 July 2002, 35)
- 12 July 2002 President Bush issues a statement that “uncompromising, destructive policies have persisted” in Iran despite recent presidential and parliamentary elections that have brought reform advocates to power. He accuses Iranian leaders and their families of continuing “to obstruct reform while reaping unfair benefits” and demands that the government listen to the Iranian people, who he said have “no better friend than the United States.” (*Washington Post*, 23 July 2002, A1)

- 25 July 2002 Under the Iran-Iraq Arms Non-proliferation Act of 1992, the US sanctions nine Chinese companies and one Indian entity for selling prohibited goods to Iran. (*New York Times*, 20 July 2002, 5; Federal Register, 25 July 2002)
- 21 October 2002 Russian officials refuse an American proposal to lift restrictions on the import of spent nuclear fuel into Russia (which can be reprocessed to make enriched uranium or plutonium for nuclear weapons) in return for Russia's ceasing all atomic cooperation with Tehran, including the construction of the Bushehr reactor. (*Washington Post*, 22 October 2002, A19)
- 12 December 2002 EU and Iranian officials meet in Brussels to launch dual negotiations on trade and political cooperation. The EU ties progress on trade talks, which are opposed by the US and Israel, to advances in the political realms of human rights, terrorism and non-proliferation. (BBC Monitoring Newsfile, 12 December 2002; Reuters, 11 December 2002; *Financial Times*, 18 June 2002, 10; OPEC News Agency, 2 June 2003)
- 15 December 2002 Iranian deputy Parliament speaker Behzad Nabavi says he is willing to begin a dialogue with American lawmakers. (*New York Times*, 16 December 2002, A8)
- 21–22 February 2003 IAEA Director General Mohamed ElBaradei visits Iran to make nuclear inspections and urge Iran to sign the Additional Protocol to the IAEA Safeguards Agreement, which would require an increase in the transparency of the Iranian nuclear program and provide the IAEA with increased access. (*New York Times*, 23 February 2003, 1)
- March 2003 The Pentagon lists companies investing in Iran's energy sector, including Shell, Eni and TotalFinaElf, as possible targets for ILSA sanctions that would bar them from Iraq reconstruction contracts. (*Financial Times*, 29 March 2003, 11)
- May 2003 Responding to US pressure, Russia informs Iran that it will not deliver the nuclear fuel for Bushehr unless Iran signs the Additional Protocol. (*Financial Times*, 28 May 2003, 1)
- 3 May 2003 Under UN auspices in Geneva, US and Iranian officials hold "useful" talks on issues of mutual concern, marking the first confirmed direct talks since the 1979 revolution. (*Los Angeles Times*, 13 May 2003, A4; Katzman 2006, 27)

- 4 May 2003 Through Swiss diplomatic channels, Iran offers a “road map” to normalize relations. US offers no immediate response. (*Financial Times*, 17 March 2004, 1)
- 12 May 2003 Hours prior to Colin Powell’s arrival in Saudi Arabia for Middle East peace talks, three suicide car bombings in Riyadh target US installations, killing 29 people, including at least seven Americans. (*Washington Post*, 14 May 2003, A24)
- 21 May 2003 Suspecting Iranian support for Riyadh bombing planners, White House envoy Zalmay Khalilzad refuses to meet with Iranians in Geneva. (*Financial Times*, 23 May 2003, 12)
- 4 June 2003 Russia changes course from its May 2003 announcement, now declaring it will not link the supply of nuclear fuel in Bushehr to Iran’s signing of the Additional Protocol. (*Financial Times*, 5 June 2003, 9)
- 6 June 2003 IAEA report to its Board of Governors concludes that Iran has failed to meet its “safeguards” obligations by failing to fully account for nuclear material imported from China in 1991. (*Financial Times*, 7 June 2003, 7; 9 June 2003, 2; *Washington Post*, 7 June 2003, A19)
- 30 June 2003 Russia presses Iran to sign IAEA Additional Protocol. (*New York Times*, 1 July 2003, A9)
- 1 July 2003 One day after Japan’s loss of preferential negotiating rights for development of the Azadegan oil field, the US State Department announces its opposition to Japan’s plans to continue pursuing the deal. (*Agence France Presse*, 1 July 2003; *Financial Times*, 10 July 2003, 11)
- 3 July 2003 Under the Iran Nonproliferation Act of 2000, the US invokes sanctions against six foreign companies for prohibited sales of equipment and technology to Iran. The list of companies includes five from China and one from North Korea. (*Chicago Tribune*, 4 July 2003, 6; *Wall Street Journal Asia*, 7 July 2003, A4; *Federal Register*, 3 July 2003)
- 7 July 2003 Iran confirms another test of Shahab-3 missile. (*New York Times*, 8 July 2003, A8; *Washington Post*, 8 July 2003, A13; *Financial Times*, 8 July 2003, 10)
- 21 July 2003 EU warns Iran that failure to sign the IAEA Additional Protocol would preclude the conclusion of a trade and cooperation

- agreement as well as warrant a review of all relations. (*Financial Times*, 22 July 2003, 8; Associated Press Newswires, 21 July 2003)
- 28 August 2003 Japan presses Iran to sign the IAEA Additional Protocol, the main obstacle to signing a deal to develop the Azadegan oil field. However, Japanese officials maintain a distinction between nuclear and oil concerns, holding that “these are two separate policy issues. . . .” (*Financial Times*, 28 August 2003, 7)
- 12 September 2003 IAEA Board of Governors issues a resolution giving Iran until the end of October to prove that it has no secret nuclear weapons program. (*New York Times*, 13 September 2003, 2; *Financial Times*, 13 September 2003, 6)
- 25 September 2003 Japan’s new trade minister signals a possible shift of position on prospects for concluding the Azadegan oil field agreement with Iran, saying that Japan will treat the issue “in its totality,” including Iran’s lack of nuclear cooperation and refusal to sign the IAEA Additional Protocol. (*Financial Times*, 26 September 2003, 11)
- 21 October 2003 Faced with an approaching IAEA deadline of 31 October for Iran to fully disclose its nuclear program, foreign ministers from Britain, France and Germany (EU-3) travel to Iran to begin nuclear negotiations with Iran. Tehran agrees to freeze uranium enrichment and sign the IAEA Additional Protocol, in return for the EU’s future cooperation in transfers of various technologies. (*Washington Post*, 22 October 2003, A1; *Financial Times*, 22 October, 1; CBS News, www.cbsnews.com, 21 October 2003; *Financial Times*, 14 October 2004, 13)
- 29 October 2003 Deputy Secretary of State Richard Armitage states that the United States does not have a policy of regime change toward Iran. (*Financial Times*, 29 October 2003, 14)
- 10 November 2003 IAEA report to its Board of Governors condemns Iran for 18 years of manufacturing enriched uranium and plutonium as part of a secret nuclear program. (*Washington Post*, 12 November 2003, A18; *Agence France Presse*, 11 November 2003)
- 18 December 2003 Iran signs the IAEA Additional Protocol. (*Financial Times*, 19 December 2003, 13)
- 26 December 2003 A 6.7 magnitude earthquake kills more than 30,000 in Bam, Iran. Iran later refuses US offer to send North Carolina Senator

- Elizabeth Dole to deliver aid. (*Washington Post*, 27 December 2003, A01; *Financial Times*, 3 January 2004, 7)
- 31 December 2003 US temporarily eases sanctions to permit a three-month window in which Americans can contribute to the Bam earthquake recovery. (*Washington Post*, 1 January 2004, A9)
- 11 January 2004 Iran's Guardian Council disqualifies nearly half of the 8,200 candidates for February parliamentary elections. Three days later, Ayatollah Ali Khamenei orders that the disqualified candidates be reconsidered. (*New York Times*, 12 January 2004, A3; *New York Times*, 15 January 2004, A8)
- 1 February 2004 More than one-third of Parliament resigns to protest the recent banning of candidates for upcoming elections. (*Wall Street Journal*, 2 February 2004, A17)
- 18 February 2004 Despite US concerns, Japan signs \$2.8 billion contract with Iran to develop Azadegan oilfield. (*Financial Times*, 19 February 2004, 9)
- 20 February 2004 Iran holds Parliamentary elections in which a paltry voter turnout allows hard-line candidates to win 156 of 290 seats, with another 50 seats to be determined later in the year. (*New York Times*, 20 February 2004, A11; *New York Times*, 26 February 2004, A10)
- 13 March 2004 IAEA Board of Governors unanimously rebukes Iran for failing to disclose significant aspects of its nuclear program. In February 2004, US investigations into the nuclear network masterminded by AQ Khan of Pakistan (the father of Pakistan's nuclear bomb) uncover Iran's plans to build advanced P2 reactors for enriching uranium. Retaliating against the IAEA rebuke, Iran immediately bars nuclear inspectors from entering the country. (*Washington Post*, 14 March 2004, A19; *Washington Post*, 13 February 2004, A1)
- 17 March 2004 IAEA Director ElBaradei appeals to President Bush to begin talks with Iran. The Bush administration does not respond publicly, but White House spokesman Scott McClellan claims the administration has "not received any official proposals from Iran." (*Washington Post*, 18 March 2004, A28)
- 7 April 2004 During a visit by IAEA Director General ElBaradei, Iran announces it will start building a reactor to be used for research but capable of producing weapons-grade plutonium. (*Washington Post*, 8 April 2004, A18)

Under the Iran Nonproliferation Act of 2000, the US imposes sanctions on 13 foreign companies, five from China, two each from Macedonia and Russia, and one each from Belarus, North Korea, Taiwan and UAE. (*Financial Times*, 3 April 2004, 2; Federal Register, 7 April 2004)

- 16 June 2004 Iran threatens to restart enriching uranium if the IAEA declares the country in violation of its promises regarding the nuclear program. (*Washington Post*, 17 June 2004, A24)
- 18 June 2004 IAEA Board of Governors reports unanimous agreement on Iran's violation of its promises to disclose all details of its nuclear program. (*Washington Post*, 19 June 2004, A1; *New York Times*, 19 June 2004, A9)
- 21 September 2004 Iran announces resumption of uranium enrichment. (*Washington Post*, 22 September 2004, A24)
- 21 October 2004 EU-3 offers Iran a package of incentives that includes supplies of reactor fuel, help with building a light water reactor and a resumption of trade talks, if Iran will freeze its nuclear enrichment program. The US does not endorse the incentive package for Iran, and plans to refer Iran to the UN Security Council at the next IAEA board meeting on 25 November. (*Financial Times*, 21 October 2004, 9)
- 28 October 2004 Iran and China sign a preliminary agreement to allow China's Sinopec Group to develop Iran's Yadavaran oil field in exchange for agreeing to buy 10 million tons of Iranian liquefied natural gas annually for 25 years. (*Wall Street Journal*, 1 November 2004, A3)
- 14 November 2004 Iran and EU-3 come to a limited agreement, establishing an interim period during which Iran will freeze uranium enrichment and the EU will refrain from referring the case to the UN Security Council. This temporary arrangement is intended to provide an environment in which to discuss a permanent end of Iran's nuclear programs in exchange for a package of incentives. (*Washington Post*, 15 November 2004, A1; *Financial Times*, 16 November 2004, 10; *Wall Street Journal*, 16 November 2004, A22)
- 29 November 2004 IAEA Board of Governors endorses Iran's agreement with the EU-3, acknowledging Iran's compliance with its promised suspension of uranium enrichment (on the basis of reports from IAEA inspectors) in return for broader cooperation with Europe on economics, security and nuclear issues. The IAEA Board also

notes Iran's "many breaches" of its safeguard commitments prior to October 2003. (*Financial Times*, 30 November 2004, 10)

- 1 December 2004 Under the Iran Nonproliferation Act of 2000, the US imposes sanctions on five more foreign firms, four from China and one from North Korea. (*Washington Post*, 19 January 2005, A13; Federal Register, 1 December 2004)
- 13 December 2004 EU-3 and Iran begin a new round of negotiations to assemble a package of incentives for Iran to make permanent the freeze on uranium enrichment. (*New York Times*, 14 December 2004, A17)
- 12 January 2005 After a 19 month hiatus, trade talks resume between the EU and Iran in light of the November 2004 pledge to suspend uranium enrichment and reprocessing activities. (*The Guardian*, 12 January 2005, 16)
- 28 January 2005 Halliburton announces it will stop doing business in Iran after its current projects are completed, a move that responds to criticisms about the company's operations in the region. (*New York Times*, 29 January 2005, C4)
- 2 February 2005 President Bush delivers his State of the Union address, declaring "to the Iranian people, I say tonight: As you stand for your own liberty, America stands with you." (*Washington Post*, 3 February 2005, A01)
- 22 February 2005 After meeting with NATO and European officials, President Bush says that concern about possible US military action against Iran "is simply ridiculous," but he added at a news conference that "all options are on the table." (*Washington Post*, 23 February 2005, A01)
- 12 March 2005 Iran rejects a coordinated EU-US package of incentives offered in return for nuclear cooperation. The US package included dropping objections to Iran's membership in the WTO and the possibility of licensing the sale of civilian aircraft equipment to Iran. In return for a more conciliatory US position, the EU hardened its policy, warning that it would have "no choice" but to refer Iran to the UN Security Council in the event of a lack of cooperation in giving up the suspected nuclear arms program. (*Washington Post*, 13 March 2005, A24; *New York Times*, 12 March 2006, 8)
- 22 May 2005 Iran's Guardian Council announces it will accept six candidates, four of which are conservative, for the June 17 presidential

- election. This move disqualifies Mostafa Moein, the main reformist candidate. (*Financial Times*, 23 May 2005, 6)
- 25 May 2005 Iran agrees to maintain the freeze on uranium enrichment through the end of July or early August, when EU-3 will present new proposals for a permanent agreement. (*Washington Post*, 26 May 2005, A20; *Financial Times*, 26 May 2005, 7)
- 26 May 2005 Prompted in part by Iran's recent nuclear cooperation in negotiations with the EU, the US announces it will allow Iran's WTO membership talks to begin. (*Financial Times*, 27 May 2005, 10; *New York Times*, 27 May 2005, A6)
- 17 June 2005 Reformer Ali Akbar Hashemi Rafsanjani and hard-liner Tehran mayor Mahmoud Ahmadinejad finish first and second, respectively, in first round of voting in Iran's presidential elections. (*Financial Times*, 20 June 2005, 8)
- 24 June 2005 Ahmadinejad, Tehran's hard-line mayor, wins runoff for Iran's presidency. (*Washington Post*, 25 June 2005, A1; *Financial Times*, 27 June 2005, 5)
- 5 August 2005 EU-3 talks with Iran crumble after the final EU proposal is deemed "worthless" by the Iranian negotiators. (*Financial Times*, 6 August 2005, 7)
- 8 August 2005 Iran restarts uranium processing, bringing to an end nine months of suspended activity at the Isfahan facility. (*Financial Times*, 9 August 2005, 7)
- 31 August 2005 EU-3 officials begin to seek international support for referring Iran to the UN Security Council. (*Financial Times*, 1 September 2005, 8)
- 22 September 2005 At the IAEA Board of Governors meeting, Russia and China oppose a US-EU resolution to refer Iran to the UN Security Council. (*Washington Post*, 23 September 2005, A17)
- 24 September 2005 IAEA Board of Governors passes a resolution condemning Iran for violating its nuclear treaty obligations with a secret nuclear program. (*Washington Post*, 25 September 2005, A31)
- 11 November 2005 Russia offers a proposal to allow Iran to continue early stage uranium conversion at Isfahan, but require that all uranium enrichment take place in Russia. (*Financial Times*, 10 November 2005, 12; *New York Times*, 10 November 2005, 1)

- 18 November 2005 US backs Russian proposal. (*Washington Post*, 19 November 2005, A16)
- 21 December 2005 EU and Iran nuclear negotiators meet in Vienna to explore the possibility of resuming talks. (*Financial Times*, 21 December 2005, 8)
- 10 January 2006 Iran orders IAEA inspectors to remove seals from equipment at Natanz uranium enrichment facility. (*Washington Post*, 11 January 2006, A01)
- 20 January 2006 Iran announces it has begun moving its foreign exchange reserves out of European banks. (*Washington Post*, 21 January 2006, A16)
- 4 February 2006 IAEA governing board refers Iran to the UN Security Council over concerns that the country is developing nuclear weapons. (*Washington Post*, 5 February 2006, A01; *New York Times*, 5 February 2006, 1)
- 14 February 2006 Iran resumes uranium enrichment. Earlier, Iran announced it would no longer permit surprise inspections of nuclear facilities. (*Washington Post*, 15 February 2006, A01; *Financial Times*, 6 February 2006, 6)
- 16 February 2006 The Bush Administration proposes to spend \$85 million to promote political change in Iran. (*New York Times*, 16 February 2006, A14)
- 17 February 2006 French Foreign Minister Philippe Douste-Blazy asserts that no civilian nuclear program can explain Iranian actions but rather, a clandestine military nuclear program. Iran's chief nuclear negotiator Ali Larijani insists that the program is peaceful and solely intended to provide energy. (*New York Times*, 17 February 2006, A4)
- 19 February 2006 India bows to American pressure and casts its vote at the IAEA to refer Iran to the UNSC. (*New York Times*, 19 February 2006, P4)
- 27 February 2006 Top nuclear officials of Iran and Russia announce that they have reached initial agreement on a deal to enrich Iranian uranium on Russian soil. (*New York Times*, 27 February 2006, A5)
- 4 March 2006 Talks between Britain, France, Germany and Iran's top nuclear negotiator fail to yield an agreement after Ali Larijani states that small-scale uranium enrichment at the Natanz facility is non-negotiable. (*New York Times*, 4 March 2006, A5)

- 7 March 2006 Russia proposes that Iran be allowed to make small quantities of nuclear fuel. (*New York Times*, 7 March 2006, A6)
- 8 March 2006 The Bush Administration rejects the Russian overture, arguing that the UNSC should “impose meaningful consequences” on Iran if uranium enrichment activities continue. Russia’s foreign minister Sergey Lavrov seeks an agreement outside the UNSC framework to avoid actions that could jeopardize Iranian-Russian relations. (*New York Times*, 8 March 2006, A14)
- 10 March 2006 The UN develops a draft document meant to reinforce the authority of the IAEA by stating that “continued enrichment-related activity would add to the importance and urgency of further action by the Council.” (*New York Times*, 10 March 2006, A6)
- 14 March 2006 Although China and Russia are reluctant to place the Security Council ahead of the IAEA in judgment of Tehran, Security Council members France and Britain, backed by the US, propose a statement that calls on Tehran to suspend all enrichment-related and reprocessing activities, to reconsider construction of a heavy water research reactor, and to allow inspectors exceptional access to plants. (*New York Times*, 15 March 2006, A8)
- 14 March 2006 Ayatolla Khamenei publicly states that Iran’s peaceful use of nuclear technology “is an irreversible path and our foreign diplomacy should defend this right courageously.” President Ahmadinejad asserts that “A nuclear program is our irrefutable right.” (*New York Times*, 15 March 2006, A1)
- 29 March 2006 The UNSC urges Iran to suspend its uranium-enrichment activities and asks the IAEA to report back on Iran’s compliance within 30 days. The final version of the statement is weakened to gain Chinese and Russian support. China and Russia declare they have no interest in taking punitive action against Iran. (*New York Times*, 30 March 2006, A6; *New York Times*, 31, March 2006, A8)
- 10 April 2006 European foreign ministers for the first time review options for steps against Iran for the first time should a deadlock arise in the UN. The options include a travel ban, tighter export controls on dual-use technologies, and a ban on export credit guarantees to companies trading with Iran. (*New York Times*, 11 April 2006, A3)
- 11 April 2006 President Ahmadinejad announces that Iran’s nuclear engineers have advanced to a new phase in uranium enrichment and will now

- produce nuclear fuel on an industrial scale at Natanz. (*New York Times*, 12 April 2006, A1)
- 13 April 2006 IAEA Director General, Dr. Mohamed ElBaradei, ends his one-day trip to Iran with no agreement by the Iranians to halt production of enriched uranium. (*New York Times*, 14 April 2006, A14)
- 18 April 2006 When asked about the possibility of considering military action against Iran, US President Bush states that “All options are on the table.” (*New York Times*, 2 May 2006, A12)
- 25 April 2006 Days before the deadline set by the UNSC for Iran to suspend uranium enrichment, Ayatollah Ali Khamenei states that Iran is ready to share its nuclear technology with other countries. During a conference in Tehran, Ali Larjani, states that Iran will suspend cooperation with the IAEA in the event of UNSC sanctions and will hide its nuclear program if there is a military strike aimed at destroying its facilities. (*Financial Times*, 26 April 2006, 9)
- 28 April 2006 According to an IAEA report, Iranian officials fail to comply with the UNSC deadline to freeze all nuclear fuel enrichment. R. Nicholas Burns states that, by their refusal to cooperate, Iranians “have forced a dynamic where there will have to be some action against them.” US President Bush states that “The Iranians should not have a nuclear weapon, the capacity to make a nuclear weapon, or the knowledge as to how to make a nuclear weapon.” (*New York Times*, 29 April 2006, A1; *New York Times*, 30 April 2006, 1.1)
- 29 April 2006 Iran states that it will allow UN inspectors to inspect its nuclear facilities if the dispute is returned to the IAEA. The White House rejects this offer. (*New York Times*, 30 April 2006, 1.1)
- 4 May 2006 UN secretary general Kofi Annan urges the US to enter into direct talks with Iran. (*New York Times*, 5 May 2006, A12)
- 22 May 2006 The Bush administration moves to establish a European shield to stop attacks by Iran against the US and its European allies. UBS AG of Switzerland says it will no longer do direct business with individuals, businesses or banks, or finance exports or imports for any corporate clients in Iran. ABN Amro Holding NV of the Netherlands reports it has minimized activity in Iran. (*New York Times*, 22 May 2006, A1; *New York Times*, 22, May 2006, A1)
- 31 May 2006 The Bush Administration, in an abrupt shift in strategy, agrees to participate in European-led negotiations with Iran if Iran pledges to explicitly rule out plans for nuclear-weapons development. Russian

and Chinese diplomats praise the US and agree to back a tough UN resolution if Iran does not cooperate with the UN. (*Financial Times*, 1 June 2006, 6)

- 6 June 2006 Javier Solana, the European Union foreign policy chief, presents an array of international incentives to Iranian officials agreed on June 2 by the “Permanent Five Plus 1” (US, Russia, China, France, Britain and Germany) in exchange for the cessation of crucial nuclear activities. The package offers Iran inter alia light-water nuclear reactors and new commercial planes. Iran’s Chief Nuclear Negotiator, Ali Larijani, states that the talks were constructive but clarifications need to be made before an agreement can be reached. (*New York Times*, 7 June 2006, A14; CRS, 2010).
- 8 June 2006 The IAEA reports that Iran has restarted the pouring of a raw form of uranium into 164 centrifuge machines to produce enriched uranium. The US and Europe set a deadline of June 29 for Iran to respond to the package, corresponding to a date when G8 foreign ministers are set to meet in Moscow. (*New York Times*, 9 June 2006, A6; *New York Times*, 10 June 2006, A3)
- 14 June 2006 The US Treasury Department sanctions four Chinese companies, for allegedly aiding Iran’s ballistic-missile programs. US assets of the companies are frozen and US firms and individuals are barred from doing business with them. (*Wall Street Journal*, 14 June 2006, A4)
- 21 June 2006 Ahmadinejad states that Iran will need more time to respond to the incentives package proposed by the six world powers, and would respond by August 22. (*Financial Times*, 12 July 2006, 5; *New York Times*, 22 June 2006, A14)
- 27 June 2006 Ayatollah Ali Khamenei says that if the US recognizes Iran’s right to pursue peaceful nuclear power, Iran would negotiate over controls and inspections. (*New York Times*, 28 June 2006, A3)
- 12 July 2006 During G-8 summit in Moscow, Russia and China, agree to seek a UNSC resolution that makes suspension of enrichment mandatory for Iran, backed up by sanctions. (*New York Times*, 13 July 2006, A10)
- 31 July 2006 In a 14 to 1 vote with Qatar dissenting, the UNSC passes the first legally binding Resolution (1696) demanding “full and sustained suspension” of Iranian nuclear activities and threatens sanctions if Iran does not comply in a month. Qatari ambassador, Nassir Al-Nassar, states that “We do not agree with the resolution at a time

when our region is in flames.” The measure is not as strong as some Western powers had sought due to reservations held by Russia and China. The Iranian ambassador, Javad Zarif, declares that “Iran’s peaceful nuclear program poses no threat to international peace and security, and therefore dealing with this issue in the Security Council is unwarranted and void of any legal basis or practical utility.” (*New York Times*, 1 August 2006, A3)

- 1 August 2006                      China’s Sinopec Group signs a €2.1 billion (\$2.68 billion) deal with Iran to upgrade the Shazand refinery. (*Wall Street Journal*, 1 August 2006, online)
- 4 August 2006                      Effective July 28, under the Iran Nonproliferation Act (2000), the US imposes sanctions on two Russian and five other foreign companies for providing Iran with materials useful in making unconventional weapons (33 foreign companies have been penalized under the law to date). Russia’s Foreign Ministry denies that the country’s military trade violated international laws and stated that the move was “bound to affect the quality of...cooperation” with the US. (*New York Times*, 5 August 2006, A3)
- 20 August 2006                      Two days before Iran is set to respond to the incentives package offered by six Western nations, Iran fires 10 short-range missiles during military maneuvers. Iranian Maj. Gen Ataollah Salehi says on state television that “This operation was planned in response to evil intentions of the enemy.” (*New York Times*, 21 August 2006, A7)
- 22 August 2006                      Iran responds with a 21-page counterproposal but without addressing whether or not enrichment will be suspended by August 31. The Bush Administration states that it is studying the Iranian proposal but that it “falls short of the conditions set by the Security Council.” (*Wall Street Journal*, 24 August 2006, A10)
- 25 August 2006                      Russia’s Defense Minister Sergei Ivanov states that it is premature to consider punitive actions against Iran, clarifying that Russia opposes sanctions against Iran and its leaders. (*New York Times*, 26 August 2006, A7)
- 31 August 2006                      An IAEA report confirms that Iran is continuing to enrich a small amount of uranium. (*Financial Times*, 1 September 2006, 6)
- 3 September 2006                      In a visit to Iran, UN Secretary General Kofi Annan secures Ahmadinejad’s agreement to support implementation of UNSCR 1701, ending the war between Israel and Lebanon. Ahmadinejad

agrees to enter into negotiations on Iran's nuclear program but will not suspend uranium enrichment beforehand, the primary condition set by the UNSC. (*New York Times*, 4 September, 2006, A4)

- 8 September 2006 The Bush Administration blocks Bank Saderat, a major Iranian bank, from access to the US financial system for aiding in the transfer of hundreds of millions of dollars to terrorist organizations such as Hezbollah and Hamas. (*Wall Street Journal*, 9 September 2006, A4)
- 21 September 2006 The US agrees along with the other five world powers to again extend the deadline for Iran to halt uranium enrichment or face punitive measures. (*New York Times*, 22 September 2006, A12)
- 26 September 2006 Iranian officials sign a deal under which Russia will provide fuel for an Iranian atomic energy plant in Bushehr, with the spent fuel to be returned to Russia. (*New York Times*, 27 September 2006, A5)
- 3 October 2006 The US, France and Britain reject the Iranian proposal that France organize and monitor uranium enrichment within Iran. The US gives Iran until the end of the week to announce whether it will halt production of enriched uranium or face punitive measures. Ali Larijani states that Iran will only consider a temporary halt of uranium enrichment. (*New York Times*, 4 October 2006, A6)
- 23 October 2006 In an interview, Mohamed ElBaradei states that Iran is testing a new enrichment device, a second cascade of centrifuges, that can double the capacity of its current facilities. (*New York Times*, 24 October 2006, A12)
- 3 November 2006 Russia submits a revised draft for a UNSC resolution, contrasted to the resolution drawn up by Britain, France and Germany, removing any references to Iran's first nuclear power plant at Bushehr, the plant Russia is helping to build. (*New York Times*, 4 November 2006, A6)
- 23 November 2006 After heavy US criticism, the IAEA drops consideration of Iran's request for technical help in completing a nuclear reactor at Arak. Iran says that it will continue to build the heavy-water reactor on its own and maintains that its program is intended to produce radioactive isotopes for medical treatments. (*New York Times*, 20 November 2006, A1; *New York Times*, 24 November 2006, A20)
- 23 December 2006 The UN Security Council unanimously approves limited and targeted sanctions on Iran. Resolution 1737 "bans the import and

export of materials and technology used in uranium enrichment, reprocessing and ballistic missiles” Freezes the assets of 12 individuals and 10 entities due to their involvement in nuclear and ballistic missile programs, and calls for vigilance in allowing travel by designating individuals. Iran has until February 21, 2007 to halt uranium enrichment and reprocessing and cooperate with the IAEA or face tougher sanctions. Ali Larijani states that “From Sunday morning we will begin activities at Natanz – site of 3,000 centrifuges – and we will drive it with full speed.” (*New York Times*, 24 December 2006, 1.8; *Wall Street Journal*, 27 December 2006, A8)

27 December 2006

Iran does not withdraw from the Nuclear Nonproliferation Treaty or ban all inspectors as it has threatened to do if the UNSC took punitive measures. (*New York Times*, 28 December 2006, A3)

December 2006

Japan Bank for International Cooperation announces that it will not issue any new loans for projects in Iran until the nuclear impasse has been resolved. Additionally, Japan elects to reduce its stake in a \$2 billion deal to develop Iran’s largest onshore oilfield at Azadegan from 75 percent to 10 percent. China National Offshore Oil Corporation negotiates a \$16 billion deal to develop Iran’s North Pars natural-gas field. (*New York Times*, 2 January 2007, A3; *Reuters*, 18 August 2009, online)

5 January 2007

China’s President Hu Jintao tells Ali Larijani that the sanctions imposed by the UNSC reflect “the shared concerns of the international community over the Iranian nuclear issue, and we hope Iran could make a serious response to the resolution.” State-run television in Iran reported Ahmadinejad’s statement: “Enemies have assumed that they can prevent the progress of the Iranian nation through psychological war and issuing resolutions, but they will be defeated.” Larijani reiterates that Iran opposes nuclear weapons and will continue to work within the Nonproliferation Treaty, but warns that, “if we are threatened, the situation may change.” VP Gholamreza Aghazadeh announces that Iran has produced and stored 250 tons of feedstock for enrichment, uranium hexafluoride gas (UF<sub>6</sub>). (*New York Times*, 6 January 2006, A6)

9 January 2007

Germany’s second-largest bank, Commerzbank AG, says it will halt dollar transactions for Iran at its branch in New York by January 31, 2007 but will continue to conduct business with Iran in euros. In a further effort to isolate Iran, the US Treasury Department bars US banks from handling transactions on behalf of Bank Sepah, Iran’s fifth-largest state-owned bank and the “final linchpin of Iran’s missile procurement network”. (*Wall Street*

- Journal*, 10 January 2007, A3; *New York Times*, 10 January 2007, A3)
- 13 January 2007 Ahmadinejad meets with Venezuela President Hugo Chavez, reports a \$2 billion investment fund to finance projects in Iran and Venezuela, among other countries. (*New York Times*, 14 January 2007, 1.12)
- 22 January 2007 Iran states that it will bar 38 IAEA inspectors from entering Iran in retaliation for the UNSC sanctions but otherwise will continue to cooperate with the IAEA. (*New York Times*, 23 January 2007, A7)
- 2 February 2007 IAEA investigators confirm that Iran is installing equipment for industrial-scale enrichment of uranium in an underground chamber at the Natanz plant. (*New York Times*, 3 February 2007, A8)
- 9 February 2007 The IAEA suspends approval of 22 of Iran's 33 nuclear-related projects. Iran's Ambassador to the IAEA, Ali Soltanieh, says that the move "is a negative message to developing members" and will jeopardize incentives for others to become members. (*New York Times*, 10 February 2006, A8)
- 19 February 2007 Russia slows work on Bushehr due to a minor dispute over the last two \$25 million monthly payments. (*New York Times*, 20 February 2007, A8)
- February 2007 An energy assessment by the IAEA places 1000 centrifuges at Natanz. President Bush orders a second aircraft carrier group into the Persian Gulf. (*New York Times*, 23 February 2007, A1)
- 21 February 2007 The IAEA reports that Iran misses deadline to halt enrichment activities. (*Wall Street Journal*, 23 February 2007, A10)
- 20 March 2007 Russia informs Iran that it will not deliver nuclear fuel for Bushehr until uranium enrichment is suspended. (*New York Times*, 20 March 2007, A1)
- 24 March 2007 The UNSC, under Chapter 7, Article 41 of the UN charter, unanimously votes to impose new and more stringent sanctions on Iran. UNSCR 1747 prohibits Iranian arms exports, and adds new names to the designated persons and entities list, focusing on the Revolutionary Guard Corps and the state-owned Bank Sepah. It also calls on member states to avoid new commitments for concessional finances, except for development or humanitarian purposes, if they could contribute to Iran's illicit activities. Lengthy negotiations ensued to unite the opinion of South Africa,

- Indonesia and Qatar. The IAEA will report back within 60 days on the status of Iran's uranium enrichment. Iran's Foreign Minister Manouchehr Mottaki states that Iran will not suspend uranium enrichment and that the resolution is a "gross violation" of the UN charter. Iranian officials announce that they will partially suspend cooperation with the IAEA in response to the UN sanctions. (*New York Times*, 25 March 2010, 1.1; *Financial Times*, 26 March 2007, 7; *Wall Street Journal*, 26 March 2007, A4)
- 30 March 2007 Mario Draghi, Bank of Italy's Governor, announces the takeover of Bank Sepah Branch in Rome in compliance with UNSCR 1747. (*New York Times*, 31 March 2007, A7)
- 10 April 2007 The IAEA confirms that small amounts of uranium are being enriched in more than 1,300 centrifuges at Natanz. Haliburton Co. states that all contractual commitments have been completed and that no new work will be accepted in Iran. (*Wall Street Journal*, 10 April 2007, A6; *Wall Street Journal*, 19 April 2007, A8; *Wall Street Journal*, 10 April 2007, A15)
- 2 May 2007 Mohammad Hossein Moussavian, a prominent critic of Iran's nuclear policies and former nuclear negotiator, is arrested on spying charges. Moussavian was working at the Strategic Research Center, affiliated with the former president, Akbar Hashemi Rafsanjani. Moussavian was released on 10 May on \$215,000 bail. (*New York Times*, 3 May 2007, A3; *New York Times*, 10 May 2007, A4)
- 13 May 2007 The IAEA reports that Iran is now capable of producing fuel suitable for nuclear reactors. Mohamed ElBaradei states that "We believe they pretty much have the knowledge about how to enrich." (*New York Times*, 15 May 2007, A1)
- 23 May 2007 The IAEA releases a report charging Iran with accelerating its nuclear program and limiting the IAEA's ability to monitor activities, ultimately violating safeguard agreements and limiting the IAEA's ability to ensure that Iran's program is strictly peaceful. (*New York Times*, 24 May 2007, A7)
- June 2007 The G-8 releases a joint statement that they "will support adopting further measures" to the current UN sanctions against Iran if Iran continues to enrich uranium. Mohammed ElBaradei states that the international community needs to abandon efforts to force Iran to suspend enrichment. (*Wall Street Journal*, 9 June 2007, A4)

- 13 June 2007 US Defense Secretary Robert Gates states that a new analysis has shown a substantial flow of weapons from Iran to the Taliban in Afghanistan and that “Given the quantity that we are seeing, it is difficult to believe...that it is taking place without the knowledge of the Iranian government.” (*Wall Street Journal*, 14 June 2007, A7)
- 27 June 2007 Iran begins gasoline rationing for private vehicles to 100 liters or 26 gallons of gas per month in an attempt to reduce expensive gas imports and to make Iran more independent from the international community. Rationing spurs demonstrations throughout Iran. (*New York Times*, 27 June 2007, A8; *Financial Times*, 24 July 2007, 8)
- 2 July 2007 US Brig. Gen. Kevin Bergner, military spokesman in Baghdad, states that a special unit of the Iranian Revolutionary Guard, the Quds Force, has been arming and equipping Iraqi extremists through the Lebanese terrorist group Hezbollah. Proxies may also be working in Afghanistan, Lebanon and Palestine. (*Wall Street Journal*, 6 July 2007, A9)
- 3 July 2007 A week after Iran begins to ration gasoline, Venezuela agrees to sell gasoline to Iran. (*New York Times*, 4 July 2007, A9)
- 27 July 2007 The US government reports that Chinese companies have made controversial shipments to Iran, including sensitive military technologies that may be used for Iran’s nuclear and missile programs. (*Wall Street Journal*, 27 July 2007, A4)
- 31 July 2007 The two largest European banks that have continued to do business with Iran despite US pressure, Deutsche Bank AG and Commerzbank AG, state that they will end most of their ties with Iran. The chairman of the Assembly of Experts in Iran, Ayatollah Ali Meshkini, dies of lung disease. (*Wall Street Journal*, 31 July 2007, A4; *New York Times*, 31 July 2007, A7)
- 27 August 2007 The IAEA and Iran reach an agreement allowing the IAEA to investigate Iran’s past nuclear activities. Some Western governments fear that it is an Iranian ploy to delay further sanctions. (*New York Times*, 29 August 2007, A12)
- 30 August 2007 An IAEA quarterly report on Iran is released which states that Iran is cooperative and prepared to discuss past suspicious nuclear activities. Mohamed ElBaradei calls it “a significant step” and states that the quantity of uranium being produced is “well below the expected quantity for a facility of this design.” (*Financial Times*, 31 August 2007, 6; *New York Times*, 31 August 2007)

- 2 September 2007 President Ahmadinejad appears on state television asserting that Iran now has 3,000 active centrifuges for uranium enrichment. (*New York Times*, 3 September 2007, A1)
- 10 September 2007 The US Senate votes to reduce aid for Iranian human rights groups from \$75 million to \$25 million due to harassment of grantees by Iranian government. (*Wall Street Journal*, 11 September 2007, A18)
- September 2007 French Foreign Minister Bernard Kouchner adopts a harsh tone calling for increased sanctions on Iran; Sergei Lavrov states that Russia opposes tougher sanctions on Iran. (*New York Times*, 19 September 2007, A8; *Financial Times*, 13 September 2007, 9)
- 18 September 2007 The New York Times releases a statement that “German exporters gathered Tuesday to learn about ‘market opportunities’ in Iran that they complain are drying up.” Germany receives criticism that it is not taking a strict stance toward Iran like France and the US. (*New York Times*, 21 September 2007, A7)
- 25 September 2007 In a speech to the UN General Assembly, Ahmadinejad states Iran will disregard UNSC resolutions and that the nuclear issue is a “technical” one to be resolved by the IAEA. (*New York Times*, 26 September 2007, A1)
- 28 September 2007 Facing sharp opposition from Moscow and Beijing, the US and its European partners agree to postpone a vote to impose tougher penalties on Iran until November. The vote on the third round of sanctions will occur if talks between Iran, the IAEA and EU’s Javier Solana fail. (*Financial Times*, 29 September 2007, 5)
- 16 October 2007 In a meeting of five Caspian Sea nations, President Vladimir Putin cautions against military action in Iran, stating that “We should not even think of making use of force in this region.” During a meeting between Moscow and Tehran, Putin states that “Russia is the only country that is helping Iran to realize its nuclear program in a peaceful way.” (*New York Times*, 17 October 2007, A6)
- 17 October 2007 President Bush states that if Iran obtains nuclear arms, the world could face “World War III.” (*New York Times*, 18 October 2007)
- 21 October 2007 Ali Larijani, Iran’s chief nuclear negotiator, resigns before crucial talks with Europe over Iran’s nuclear program. Saeed Jalili, a deputy foreign minister, is appointed as Larijani’s successor. (*New York Times*, 21 October 2007, 1.8)

- 25 October 2007 The US expands the list of designated individuals and entities implicated in proliferation activities or support for terrorism, targeting the Iranian Revolutionary Guard Corps, the elite Quds Force unit, key state-owned banks, the energy sector, and companies and officials charged with supporting proliferation activities. (*New York Times*, 25 October 2007, A1)
- 31 October 2007 Egypt announces that it will revive its nuclear program for peaceful purposes. The US says it will support the effort. (*New York Times*, 20 October 2007, A6)
- 3 November 2007 The World Bank suspends payments for four projects in Iran including water sanitation, earthquake relief, environment management and urban housing due to US sanctions on Iranian banks. (*New York Times*, 4 November 2007, 1.14)
- 13 November 2007 Iran has given the IAEA a crucial document which includes engineering drawings on “how to cast uranium metal into hemispheres to form the core of an atom bomb.” (*New York Times*, 14 November 2010, A10)
- 15 November 2007 An IAEA report states that Iran has made new disclosures but still continues to shield some aspects of its nuclear program. The report confirmed that Iran has reached the milestone of operating 3,000 centrifuges but that restrictions on inspectors did not allow them to determine whether Iran’s program is intended to generate power or make nuclear weapons. Iran continues to maintain that their program is peaceful, despite agency suspicions of a link between the “Green Salt Project” and a secret weapons-related uranium enrichment program. (*Financial Times*, 16 November 2007, 1; *New York Times*, 30 November 2007, A10)
- 17 November 2007 The Iraqi government releases a statement crediting Iran with helping to persuade Shiite militias and their leader, Moktada al-Sadr, to halt attacks and stem the flow of weapons into Iraq. (*New York Times*, 18 November 2007, 1.20)
- 28 November 2007 Iran states it has built a new long-range missile, with a range of 1,200 miles. (*New York Times*, 28 November 2007, A16)
- 30 November 2007 Talks end between the EU and Iran with no new developments. The five UNSC members and Germany agree to consider new sanctions if no progress is made in halting Iran’s enrichment program in December. (*New York Times*, 1 December 2007, A8)

- December 2007 A US Natural Intelligence Estimate report says Iran halted its nuclear-weapons program in 2003; the IAEA is skeptical of the American analysis. China indicates that, in light of the new revelations, it would not push for a new round of sanctions on Iran and European diplomats indicate it will now be more difficult to build consensus on additional punitive measures. President Bush, President Sarkozy and Chancellor Merkel state that their stance toward Iran will not be affected by the new revelations. Israel contends that Iran has since resumed its nuclear weapons program. (*Wall Street Journal*, 5 December 2007, A1; *New York Times*, 5 December 2007, A13; *New York Times*, 5 December 2007, A12)
- 10 December 2007 China Petroleum & Chemical Corp. (Sinopec) signs a \$2 billion contract to develop Iran's huge Yadavaran oil field. (*Financial Times*, 10 December 2007, 1)
- 13 December 2007 Sergei Shmatko, director of Russia's Atomstroyexport, states that it has resolved the dispute over payments for Iran's Bushehr nuclear power plant and resumes fuel shipments a few days later. (*New York Times*, 14 December 2007, A14, *New York Times* 18 December 2007, A1)
- 9 January 2008 Italian power utility Edison SpA signs a \$107 million contract with Iran's national oil company, NIOC, to develop an oil-exploration block in the Persian Gulf. US Treasury Department strengthens sanctions on Iran by imposing penalties on a top Iranian military commander, three militants accused of helping the insurgency in Iraq and a Syrian-based television station. (*Wall Street Journal*, 10 January 2008; *New York Times*, 10 January 2008, A16)
- 22 February 2008 The IAEA releases an 11-page report on Iran's nuclear program. The report states that Iran has cooperated on part of the IAEA probe, alleviating suspicions that some past experiments were linked to a weapons program, but also that Iran continues to enrich and has begun to develop "new-generation centrifuges." (*Financial Times*, 23 February 2008, 2; *Wall Street Journal*, 23 February 2008, A6)
- 25 February 2008 During a meeting in Vienna, the IAEA presents new documents and sketches that the chief UN nuclear inspector calls "not consistent with any application other than the development of a nuclear weapon." Iranian representatives argue that the evidence was a baseless fabrication. (*New York Times*, 3 March 2008, A1)
- 3 March 2008 With the IAEA continuing to report inadequate cooperation from Iran the UNSC passes resolution 1803 strengthening and

expanding sanctions against Iran, with 14 countries voting in favor and Indonesia abstaining. The new financial penalties include freezing the assets of 13 Iranian companies and individuals with ties to the nuclear program, expansion of travel bans to these individuals, further restrictions on dual-use technologies to Iran, and inspection of cargo shipments to Iran. The resolution also calls on member states not to provide new export guarantees or credits to Iran. (*Financial Times*, 4 March 2008, 8; *Wall Street Journal*, 4 March 2008, A8)

- 8 April 2008 President Ahmadinejad asserts that Iran is planning to triple the number of centrifuges, including new generation IR-2 centrifuges, at Natanz (*Financial Times*, 9 April 2008, 2)
- 26 April 2008 Conservatives win 198 seats and reformists win 47 of 290 seats in Iranian parliamentary elections. (*New York Times*, 27 April 2008, A8)
- 11 May 2008 Iran brokers a truce between Shiite cleric Muqtada al Sadr and his Mahdi Army and the Iraqi government, signaling Tehran's growing influence in Iraq. Royal Dutch Shell PLC and Spanish-Argentine Repsol YPF pull out of a \$10 billion Iranian natural-gas project in South Pars which was set to be finalized in June. (*New York Times*, 12 May 2008, A6; *Wall Street Journal*, 12 May 2008, B4; *Wall Street Journal*, 30 May 2008, B5; *Financial Times*, 12 May 2008, 23)
- 13 May 2008 Iran calls for international talks on all issues and offers to improve accessibility to Iran's nuclear facilities. No mention is made of uranium enrichment suspension. (*New York Times*, 15 June 2008, A6)
- 28 May 2008 Ali Larijani, rival to President Ahmadinejad, is elected as speaker of the Iranian Parliament by an overwhelming majority, potentially suggesting a shift in Iranian politics. (*New York Times*, 29 May 2008, A6)
- 3 June 2008 Prime Minister Ehud Olmert of Israel states that "The international community has a duty and responsibility to clarify to Iran, through drastic measures, that the repercussions of their continued pursuit of nuclear weapons will be devastating." Shaul Mofaz, Israel's transportation minister, stated that an Israeli attack on Iranian nuclear sites would be "unavoidable" should Iran continue to develop nuclear weapons. (*New York Times*, 4 June 2008, A8; *New York Times*, 11 June 2008, A14)

- 17 June 2008 The world's six major powers present an incentives package to Iran, similar to the one Iran rejected in June 2006, offering cooperation on a broad range of areas including nuclear, political, agricultural and environmental in exchange for enrichment suspension. (*US Department of State*)
- 23 June 2008 Two American businessmen are prosecuted for selling aviation parts to Iran's military to prop up aging fleet. The parts were shipped to the UAE for resale to Iran. (*New York Times*, 24 June 2008, A21)
- 24 June 2008 The EU imposes additional financial and travel restrictions on a list of Iranian individuals and companies and Iran's largest bank, Bank Mellī. (*New York Times*, 24 June 2008, A10)
- 4 July 2008 Iran formally responds to the incentives package proposed by the world's six major powers, stating that Iran is willing to open comprehensive negotiations with EU foreign policy chief Javier Solana. The response does not specifically address any of the proposals presented in the package. Western governments respond cautiously. (*New York Times*, 5 July 2008, A6)
- 9 July 2008 Iran's Revolutionary Guard test-fires a series of long- and medium-range missiles, including a new version of the Shahab-3 which has a range of 1,200 miles. The tests come a day after Iran threatens to retaliate against a US or Israeli attack. (*New York Times*, 10 July 2008, A11)
- 10 July 2008 OPEC warns that oil prices would experience an "unlimited" increase if a military conflict involving Iran takes place because Iran's production cannot be replaced. (*New York Times*, 11 July 2008, C4)
- Mid-July 2008 International talks in Geneva on Iran's nuclear program founder as Iran fails to address halting uranium enrichment and a freeze-for-freeze, under which a freeze of Iran's enrichment program would be met by a Western pledge not to implement harsher sanctions, was not agreed upon. A face-to-face meeting between Iranian and American officials in Geneva is the first since ties were cut when the American Embassy was seized in Tehran in 1979. (*New York Times*, 20 July 2008, A1)
- 1 August 2008 The Norwegian energy company StatoilHydro states that it "will not make any new investments in Iran at this time." (*Financial Times*, 1 August 2008, 6)

- 4 August 2008 Following the weekend expiration of a US imposed informal deadline for Iran to respond to the incentives package, Iran warns that it can easily close the Strait of Hormuz in the Persian Gulf and sink enemy ships hundreds of miles away. UN diplomats state that they are addressing their options on how to proceed in light of Iran's negative reaction. (*New York Times*, 5 August 2008, A10)
- 12 August 2008 The US expands sanctions on Iran by blacklisting five entities that it contends have provided support for Iran's nuclear and missile programs. (*New York Times*, 13 August 2008, A8)
- 17 August 2008 Iran states that it has test-fired a rocket that is capable of carrying a satellite into orbit and is prepared to help Muslim countries send up satellites. Western experts say that the Iranian effort failed but regardless, the move presents a significant step because the rocket had more than one stage. (*New York Times*, 18 August 2008, A5; *New York Times*, 19 August 2008, A11)
- 29 August 2008 Iran announces it is operating 4,000 centrifuges at Natanz. (*New York Times*, 7 September 2008, A12)
- 10 September 2008 The US Treasury designates Iran's national maritime carrier, the Islamic Republic of Iran Shipping Lines (ISIL), as a "proliferator", and blocks the carrier's ability to move money through US banks and from carrying food and medical supplies. (*Financial Times*, 11 September 2008, 2)
- September 2008 Russia declines to attend an emergency meeting of the UNSC to discuss implementing a fourth round of sanctions against Iran. President Bush asserts that Moscow's refusal to attend is a "spillover" from US criticism of Russia's actions in Georgia. (*New York Times*, 24 September 2008, A24)
- 27 September 2008 The UNSC unanimously passes a resolution to press Iran to comply with international monitoring of its nuclear program but includes no additional sanctions. (*New York Times*, 28 September 2008, A16)
- 23 October 2008 US imposes sanctions on 13 "foreign persons" from Russia, China and Venezuela that violated the Iran, North Korea and Syria Nonproliferation act in August. Sergey Lavrov argues that the US is breaking international law. (*New York Times*, 25 October 2008, A6)
- 28 October 2008 Iran announces that in order to secure the Gulf of Oman, it has opened a naval base there in the gateway to the Strait of Hormuz, a

- vital transit route for oil supplies. (*New York Times*, 29 October 2008, A12)
- 6 November 2008 President Ahmadinejad sends a letter congratulating President Barack Obama for his victory in the American presidential race and states that people around the world are expecting Mr. Obama to make a significant shift in domestic and foreign policy. Throughout his campaign, Obama has stated that he will engage in aggressive diplomacy with Iran, causing concern among some world leaders. (*New York Times*, 7 November 2008, A6)
- 19 November 2008 Nuclear experts say that according to the IAEA report released, Iran has produced enough low-enriched nuclear material (630 kilograms) to make a single atom bomb, if further enriched to weapons levels. (*New York Times*, 20 November 2008, A12; *ISIS*, 19 November 2008; *New York Times*, 27 November 2008, A12)
- 30 December 2008 President Ahmadinejad proposes to end energy subsidies due to falling oil prices and a weakening economy. Opponents say that the move will push inflation higher and raise unemployment. (*New York Times*, 31 December 2008, A5)
- 9 January 2009 New York State authorities announce that the British bank, the Loyds TSB Group, has been involved in illicit transfers for Iranian banks through American financial institutions. Authorities contend that some of the money has been used to finance Iran's nuclear and long-range missile programs. The British bank will pay a \$350 million fine. (*Financial Times*, 12 January 2009, 1)
- 11 January 2009 President-elect Barack Obama states that his administration is "going to have to take a new approach," with respect to Iran and that, "My belief is that engagement is the place to start." Furthermore he said that his administration would become "immediately engaged in the Middle East peace process." (*New York Times*, 12 January 2009, A8)
- 14 January 2009 Chinese company CNPC signs a \$1.7 billion deal to develop an Iranian oil field. (*Financial Times*, 15 January 2009, 5)
- 29 January 2009 IAEA director general, Mohamed ElBaradei, urges the Obama Administration to engage in "direct dialog at a high level, with no preconditions" with Iran. (*Wall Street Journal*, 30 January 2009, A6)
- 3 February 2009 Iran announces that it has launched its first domestically made and propelled satellite, asserting that it is for national-disaster

management and telecommunications. Western capitals fear that the satellite launch technology could also be used to launch a long-range nuclear weapon. (*Wall Street Journal*, 4 February 2009, A8)

- 19 February 2009 The IAEA releases a report stating that Iran understated by a third how much uranium it has enriched and has now produced a total of 1,010 kilograms of low-enriched uranium. (*New York Times*, 20 February 2009, A12)
- 20 March 2009 President Obama sends a videotaped message to Iranians on the Persian holiday of Norwuz, asserting that his administration is committed to diplomacy and that “This process will not be advanced by threats. We seek instead engagement that is honest and grounded in mutual respect.” Khamenei responds that “They chant the slogan of change, but no change is seen in practice.” (*Wall Street Journal*, 20 March 2009, A3; *Wall Street Journal*, 23 March 2009, A9)
- 4 April 2009 Iran and Venezuela inaugurate a joint development bank that will be based in Tehran. (*New York Times*, 4 April 2009, A5)
- 7 April 2009 The US sanctions a Chinese businessman, Li Fang Wei, and his company Limmt for covert transactions of high-strength steels and exotic metals to the Iranian military from 2006-2008. (*New York Times*, 8 April 2009, A19)
- 9 April 2009 Ahmadinejad announces an expansion to Iran’s nuclear program—the opening of a facility to produce pellets of uranium oxide that feed into a heavy-water reactor planned to be opened next year. The head of the Iranian Atomic Agency, Gholamreza Aghazadeh, announces that Iran now has 7,000 centrifuges. (*Wall Street Journal*, 10 April 2009, A7; *New York Times*, 10 April 2009, A9)
- 20 May 2009 Just weeks ahead of the presidential election, President Ahmadinejad announces the test-launch of a Sajjil-2 missile, a surface-to-surface missile with a range of 2,000 kilometers. Ahmadinejad asserts that the missile program is for defense purposes and not related to Iran’s peaceful nuclear program. (*Wall Street Journal*, 21 May 2009, A8)
- 24 May 2009 Iran hosts its first summit meeting with Pakistan and Afghanistan to address cooperation on regional issues, mainly the threat of radical, Islamic insurgencies led by the Taliban. The three presidents signed the “Tehran Statement” agreeing to unite against Islamic extremism and fight drug smuggling across their borders. (*New York Times*, 25 May 2009, A4)



- 22 June 2009 Iran's most powerful oversight council announces that the number of votes recorded in 50 cities exceeds the number of eligible voters by three million, but the Guardian Council rules out annulment of the initial presidential elections results. (*New York Times*, 23 June 2009, A1; *Wall Street Journal*, 24 June 2009, A8)
- 29 June 2009 Iran's Guardian Council certifies that there is no validity to charges of voting fraud and formally certifies Ahmadinejad's reelection. (*New York Times*, 20 June 2009, A4)
- June 2009 China National Petroleum Corporation signs a \$5 billion deal to develop Iran's South Pars natural gas field. (*New York Times*, 29 September 2009, online)
- July 2009 During a town-hall meeting in Bangkok, Defense Secretary Hillary Clinton states that if Iran continues to pursue a nuclear weapon, the US would be forced to invoke a defense umbrella in the Middle East to protect its allies. "We want Iran to calculate what I think is a fair assessment, that if the US extends a defense umbrella over the region, if we do even more to support the military capacity of those in the gulf, it is unlikely that Iran will be any stronger or safer, because they won't be able to intimidate and dominate, as they apparently believe they can, once they have a nuclear weapon." (*New York Times*, 23 July 2009, A1)
- July 2009 "According to independent human-rights organizations, over 1,000 people have been arrested and nearly 100 killed after the June 12 presidential election upset. Among the arrested are 250 prominent reformers, journalists, lawyers and student activists." "The election has marked the deepest political divide within the Islamic Republic since the country's 1979 revolution. (*Wall Street Journal*, 29 July 2009, A10; *Wall Street Journal*, 6 August 2009, A7)
- 5 August 2009 Ahmadinejad is sworn in as president for a second term in office. (*Wall Street Journal*, 6 August 2009, A7)
- 21 August 2009 Iran agrees to allow the IAEA to have greater access to monitor the heavy-water reactor at Natanz. (*Wall Street Journal*, 21 August 2009, A6)
- 28 August 2009 An IAEA report states that Iran continues to defy the international community and has now installed a total of more than 8,300 centrifuges and increased its enriched uranium stock to 1,508 kilograms. (*Financial Times*, 29 August 2009, 4)

- 9 September 2009 Iran sends a five-page letter to several nations titled “Cooperation, Peace and Justice” offering to meet and discuss political, social and economic themes. The US agrees to meet with Iran in what will be the first direct meeting between the two countries since Obama took office. (*New York Times*, 12 September 2009, A1)
- 17 September 2009 The Obama administration scraps the Bush administration’s plan to station an antiballistic missile shield in the Czech Republic and Poland and states that a different system is required to mitigate the Iranian threat. (*New York Times*, 18 September 2009, A1)
- 18 September 2009 Mir Hussein Moussavi, Mehdi Karroubi and Mohammad Khatami, the three opposition leaders to Ahmadinejad, join crowds of protestors in Tehran chanting “Resign! Resign!” despite warnings from Khamenei. (*New York Times*, 19 September 2009, A1)
- 25 September 2009 President Obama announces that Iran has built a secret nuclear facility near the holy city of Qom. President Ahmadinejad asserts that Iran has not violated international reporting requirements as the new facility won’t be operational for 18 months. UN Secretary General Ban Ki-moon asserts that the “new uranium enrichment facility is contrary to the Security Council resolution.” (*Wall Street Journal*, 26 September 2009, A1; *Wall Street Journal*, 30 September 2009, A14; *New York Times*, 26 September 2009, A8)
- 1 October 2009 In talks with the US and other world powers at Geneva, Iran agrees to allow inspections of its newly disclosed plant, near Qom, on October 25. Iran agrees in principle to send part of their stockpile of low-enriched enriched uranium to be enriched to 20% in Russia and then shipped to France to create new fuel rods for use in a medical-research reactor in Tehran. No agreement was reached on the freeze-for-freeze plan. (*Wall Street Journal*, 2 October 2009, A2; *New York Times*, 5 October 2009, A4)
- 4 October 2009 Sections of an IAEA report are released which conclude that Iran has acquired “sufficient information to be able to design and produce a workable” atom bomb. (*New York Times*, 4 October 2009, A1)
- 13 October 2009 Despite Obama administration efforts to gather global support for new sanctions on Iran, during Clinton’s meeting in Moscow, Sergey Lavrov states that emphasis should be put on diplomacy and “Threats, sanctions and threats of pressure in the current situation, we are convinced, would be counterproductive” considering the meeting at Geneva in the beginning of October. (*New York Times*, 14 October 2009, A4)

- 19 October 2009 Iran backs out of a preliminary agreement to ship low-enriched uranium abroad for further enrichment and announces that it will no longer buy enriched uranium from France because France did not follow through with a delivery of 50 tons of UF<sub>6</sub> gas. (*Wall Street Journal*, 20 October 2009, A8)
- 22 November 2009 Iran initiates a five-day air-defense exercise aiming to deter attacks on its nuclear infrastructure. (*Wall Street Journal*, 23 November 2009, A12)
- 26 November 2009 In a speech to the IAEA, Mohammed ElBaradei states that “there has been no movement on remaining issues of concern which need to be clarified for the agency to verify the exclusively peaceful nature of Iran’s nuclear program.” Mr. ElBaradei will be succeeded by Japanese diplomat Yukiya Amano on 30 November. The IAEA’s board of governors vote 25-3 to censure Iran for its failure to comply with the UN. (*Wall Street Journal*, 27 November 2009, A7; *Financial Times*, 28 November 2009, 4)
- 29 November 2009 President Ahmadinejad states that Iran plans to build 10 more nuclear facilities and threatens to pull out of the Nuclear Non-Proliferation Treaty. (*Wall Street Journal*, 30 November 2009, A1)
- 12 December 2009 Iran back tracks on the October agreement reached at Geneva; Foreign Minister Mottaki states that Iran will hand over 400 kilograms of uranium for outside enrichment, 2/3 less than originally agreed, in exchange for an equivalent amount of enriched material. (*New York Times*, 12 December 2009, online)
- 20 December 2009 Death of influential cleric Grand Ayatollah Hoseyn Ali Montazeri, a critic of hard-liners within the Iranian government, leads to widespread opposition protests. (*New York Times*, 20 December 2009, online)
- 22 December 2009 Iran rejects year-end deadline imposed by the West for Iran to respond to a deal to ship nuclear fuel abroad for processing, Ahmadinejad responded: “Who are they to set us a deadline? We set them a deadline that if they do not correct their attitude and behavior and literature, we will demand from them the Iranian nation’s historic rights.” (*New York Times*, 23 December 2009, A12)
- 12 January 2010 Masoud Ali Mohammadi, a pro-opposition Tehran University professor of nuclear science, is killed by a remote-controlled bomb. Ahmadinejad accuses Israel and the US for Mohammadi’s

	death and threatens revenge. Ahmadinejad's opposition assert that it was an act of terrorism. ( <i>Wall Street Journal</i> , 12 January 2010; <i>New York Times</i> , 15 January 2009, A9)
26 January 2010	The German company Siemens states that it will stop seeking new contracts in Iran by mid-2010. ( <i>New York Times</i> , 28 January 2010, A8)
28 January 2010	Two protestors accused of trying to topple the country's regime are hanged in Iran. The US Senate passes legislation allowing Obama to impose sanctions on Iran's gasoline suppliers and elites. ( <i>Wall Street Journal</i> , 29 January 2010, A9; <i>New York Times</i> , 29 January 2010, A9)
3 February 2010	Iran test-fires a satellite rocket demonstrating advances in its space program. ( <i>Wall Street Journal</i> , 3 February 2010, online)
9 February 2010	Iran sends a letter to the IAEA officially stating that it will begin enriching its uranium stockpile to levels up to 20 percent at Natanz. ( <i>New York Times</i> , 9 February 2010, A6; <i>Atlantic Council</i> , November 2010)
10 February 2010	The US Treasury Department imposes sanctions on a commander and four companies linked to mining and engineering companies in the Iranian Revolutionary Guards. ( <i>New York Times</i> , 11 February 2010, A6)
18 February 2010	The IAEA releases a report stating that Iran has impeded inspector's efforts to identify the true purpose of its nuclear program and may be working to build a nuclear warhead. ( <i>Financial Times</i> , 19 February 2010, 1)
20 February 2010	Despite a request made by US and Israel, Russia states that it intends to fulfill a contract to supply a S-300 air defense missile system to Iran. ( <i>New York Times</i> , 20 February 2010, A7)
21 February 2010	Israel unveils a fleet of unmanned planes called the Heron TP that can fly as far as Iran. ( <i>New York Times</i> , 22 February 2010, A6)
9 March 2010	Caterpillar Inc. and Ingersoll-Rand PLC ban non-US subsidiaries from selling their products to Iran. ( <i>Wall Street Journal</i> , 9 March 2010, online)
10 March 2010	Responding to congressional debate over proposed new US sanctions on companies exporting refined petroleum products to

- Iran, Royal Dutch Shell PLC says it will no longer sell gasoline to Iran. (*Wall Street Journal*, 10 March 2010, online)
- 16 March 2010 Iran and Pakistan sign a \$7 billion, 2,700-kilometer natural-gas pipeline connecting Iran's South Pars gas field with Pakistan's Baluchistan and Sindh provinces. (*Wall Street Journal*, 16 March 2010, online)
- 18 March 2010 Prime Minister Putin announces that Russia will help Iran launch its first nuclear power plant come summer, despite US-led efforts to put pressure on Iran. (*Wall Street Journal*, 19 March 2010, A10)
- April 2010 Daimler AG states it will sell a minority stake in an Iranian engine maker and halt exports of vehicles to Iran. The Malaysian state oil company Petronas states that it stopped shipping gasoline to Iran in March. After stonewalling the agency for two months, Iran states it will allow greater oversight to the IAEA. The concession comes in the midst of Western discussion regarding a fourth round of sanctions on Iran. (*Wall Street Journal*, 16 April 2010, A14; *Wall Street Journal*, 23 April 2010, online)
- 6 April 2010 Obama releases the "Nuclear Posture Review" outlining a new nuclear strategy under which any countries that "actively pursue a proliferation agenda" could be subject to American retaliation. (*New York Times*, 7 April 2010, A6)
- 31 May 2010 The IAEA releases a report stating that Iran has modestly increased stockpiles of LEU, bringing the total to 2,427 kilograms at Natanz and continues to deny the IAEA access to information to allow them to determine the "military applications" of Iran's nuclear activities. (*ISIS*, 31 May 2010)
- 17 May 2010 Iran reaches a deal with Turkey and Brazil, on similar terms to that made with the West last October, under which Iran would ship 1,200 kilograms of LEU to Turkey for storage and in exchange, Iran would have the right to receive about 120 kilograms of MEU (20%) from other countries for use in a reactor that makes isotopes for treating Iranian cancer patients. However, Iran states it will continue to enrich on its own soil prompting widespread criticism and rejection from the West. (*New York Times*, 17 May 2010, online)
- 2 June 2010 In a gesture of goodwill, Khamenei pardons 81 opposition supporters who were imprisoned during the political unrest caused by the disputed June presidential election. (*New York Times*, 3 June 2010, A14)

- 9 June 2010 The UNSC passes a fourth and much stronger sanction resolution (1929) against Iran making travel bans and embargo on exports of major weapons systems mandatory, expanding the dual-use sanctions and assets freezes, expanding the financial sanctions regarding insurance and banking transactions with Iran, and providing for more vigorous implementation through inspections of ships entering and leaving Iran under certain circumstances. The resolution is the result of months of negotiations between the P5+1 with China and Russia opposing the passage of stronger sanctions. Brazil and Turkey voted against the resolution and Lebanon abstained. (*Wall Street Journal*, 9 June 2010, online)
- Mid-June 2010 The US and EU adopt additional sanctions pursuant to the UN mandate against Iran's shipping and air cargo companies and assets of the Iranian Revolutionary Guard Corps. China criticizes the US for overstepping UN sanctions. Iran responds by barring two IAEA inspectors from entering Iran. (*Financial Times*, 22 June 2010, 10)
- 28 June 2010 The French company, Total SA, says it will stop sales of refined petroleum products to Iran. (*Financial Times*, 28 June 2010, 3)
- 1 July 2010 The US passes the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (CISADA), which substantially amends, expands and extends the Iran Sanctions Act of 1996. CISADA provides new sanctions against banks and foreign financial institutions that engage in transactions with Iran; increases criminal penalties for violating sanctions; allows state and local governments to divest their assets from or prohibit investments of such assets in foreign companies engaging in sanctionable activities. CISADA also provides measures to address the diversion of trade of US products from third countries to Iran. (*Wall Street Journal*, 1 July 2010, online; *Iran Sanctions Legislation*, Dewey & LeBoeuf, July 20, 2010)
- 26 July 2010 The EU imposes "unprecedented" economic sanctions on Iran, targeting energy, insurance, transport and financial sectors. Sanctions focus on preventing the sale and supply of goods, technology and training related to nuclear production and missile development. Sanctions target energy, financial and transport sectors, and the Iranian government, Iranian entities and foreign entities associated with or under the jurisdiction of Iran. In addition, EU legislation implements asset freezes, travel and educational bans of persons engaged in, directly associated with or providing support to Iran's nuclear program. British foreign

secretary William Hague states that the sanctions demonstrate "the strength and unity of our concern about the Iranian government's nuclear programme." (*Financial Times*, 27 July 2010, 3; *EU Sanctions: Iran*. Clyde&Co, July 27, 2010, <http://www.clydeco.com/attachments/published/19085/Iran%20EU%20sanctions%20update%20July%202010.pdf>)

- August 2010                      The Dutch-based plastic and chemical producer, LyondellBasell Industries NV, states it will end all business operations in Iran. LyondellBasell is a critical producer for Iran's petrochemical industry. The US fines Barclays \$298 million for trading with countries under US sanctions, including Iran. (*Wall Street Journal*, 24 August 2010, online; *New York Times*, 19 August 2010, B9)
- 11 August 2010                  Toyota announces that exports to Iran have been halted due to Western pressure. (*Wall Street Journal*, 11 August 2010, online)
- 3 September 2010                Japan bans new investment in energy development, restricts financial dealings and freezes assets of people and institutions with links to Iran's nuclear program. (*Financial Times*, 4 September 2010, 2)
- 6 September 2010                IAEA report reveals that production of LEU at Natanz, now 2,803 kilograms and 20% LEU, is steady but Iran continues to deny inspectors the ability to determine the "military applications" of the nuclear program. (*ISIS*, 6 September 2010)
- 29 September 2010                The US imposes sanctions against eight top Iranian government officials for alleged human-rights violations. (*Wall Street Journal*, 30 September 2010, A13)
- September 2010                  President Abdullah Gul of Turkey states that Ankara will abide by sanctions but does not believe they are productive. Computers at Iran's nuclear-power plants have been infected with a Stuxnet worm since July, capable of taking over their control systems and destroying approximately 1,000 centrifuges. The worm caused a major equipment failure leading to the removal of 1,000 centrifuges at Natanz and other damage at Bushehr. (*Wall Street Journal*, 21 September 2010, A11; *Wall Street Journal*, 27 September 2010, A12; *New York Times*, 19 November 2010, A1)
- October 2010                      UAE officials assert that in addition to complying with UN sanctions, "they have stopped dealing with sanctioned Iranian banks on the US list." (*Wall Street Journal*, 5 October 2010, online)

- 27 October 2010 Iran begins to load fuel delivered by Russia into its first nuclear plant at Bushehr, two months past the date they first stated they began to fuel the reactor. (*Wall Street Journal*, 27 October 2010, A11)
- 10 November 2010 Iran states that it will build its own anti-aircraft S-300 missile system since Russia suspended the sale of the system. (*New York Times*, 11 November 2010, A12)
- 29 November 2010 Two of Iran's top nuclear scientists are targeted in bomb attacks; one is killed. Ahmadinejad asserts that "undoubtedly the hand of the Zionist regime and Western governments is involved." (*New York Times*, 30 November 2010, A1)
- 6 December 2010 The head of Iran's Atomic Energy Organization, Ali Akbar Salehi, reveals that "Iran has become self-sufficient in the entire fuel cycle" by domestically producing yellowcake uranium. (*Wall Street Journal*, 6 December 2010, online)
- 7 December 2010 P5+1 resume talks with Iranian diplomats in Geneva for the first time in more than a year. (*New York Times*, 8 December 2010, A12)
- 13 December 2010 Ahmadinejad fires foreign minister Manouchehr Mottaki and appoints Ali Akbar Salehi. The firing represents a victory for Ahmadinejad due to Mottaki's moderate stances and support for Ali Larijani. (*New York Times*, 14 December 2010, A6)
- 19 December 2010 Due to fiscal pressure from sanctions and government mismanagement, Iran slashes food and fuel subsidies, part of a five-year economic overhaul, sending prices soaring. Restrictions are imposed on media to mute public backlash and security forces deployed to stifle discontent. (*Wall Street Journal*, 21 December 2010, online; *Wall Street Journal*, 20 January 2011, A10)
- 20 December 2010 Two weeks after no agreement is reached with Iran in Geneva, the US enacts new financial sanctions on Iran's Revolutionary Guard and the country's primary shipping company, IRISL. (*Financial Times*, 22 December 2010, 4)
- 22 January 2011 At talks in Istanbul with the P5+1, Iran states that it is "no longer interested" in the fuel-swap deal. (*New York Times*, 25 January 2011, A5)
- 18 February 2011 The IAEA reports that Iran is considering replacing thousands of centrifuges and electronic equipment at Natanz after failing to

trace the source of the Stuxnet virus. The report states that Iran now has a total of 3,610 kilograms of low-enriched uranium and says it has uncovered new information, including ways to affix atomic weapons onto long-range missiles, that indicate that Iran has been exploring ways to militarize its nuclear program. (*Wall Street Journal*, 26 February 2011; *Wall Street Journal*, 18 February 2011, online; *New York Times*, 26 February 2011, online)

24 February 2011

Opposition leaders Mir Hossein Mousavi and Mehdi Karubi and their wives are jailed amid plans of nation-wide protests in Iran. (*Wall Street Journal*, 28 February 2011)

31 March 2011

India bans direct or indirect export and import of goods and services from Iran which could help Iran develop nuclear weapons. (*New York Times*, 1 April 2011, online)

April 2011

Despite US pressure, German companies Siemens AG and ThyssenKrupp AG will continue to honor existing contracts within Iran. The German European-Iranian Trade Bank AG (EIH Bank), a secure conduit for Iranian business, states that all activities in Iran are legal and in accordance with sanctions on Iran. The US placed EIH on its blacklisted entities last September. (*Wall Street Journal*, 11 April 2011, online)

## Goal of Sender Country

### *President Ronald Reagan*

Following imposition of import embargo: “These measures will remain in effect so long as Iran persists in its aggressive disregard for the most fundamental norms of international conduct. The United States hopes that more normal relations with Iran will evolve as Iran belligerence and tensions in the area diminish.” (*International Trade Reporter*, 28 October 1987, 1312)

### *US Department of Commerce*

“The [export] controls toward Iran allow the United States to prevent shipments of U.S. origin equipment for uses in the gulf that could pose a direct threat to U.S. interests. . . . Iran also is the country with major influence over those holding the American hostages in Lebanon. Iranian-backed terrorists have conducted terrorism against other countries, including Arab states and their officials. Finally, by restricting militarily useful items, the controls will demonstrate the resolve of the United States not to provide any direct or indirect military support for Iranian warmaking or terrorism supporting capability.” (US Department of Commerce, 13)

### *President Bill Clinton*

"I am convinced that instituting a trade embargo is the most effective way our nation can help curb Iran's drive to acquire devastating weapons and support terrorist activities." (*International Trade Reporter*, 3 May 1995, 781)

"You cannot do business with countries that practice commerce with you by day while funding or protecting the terrorists who kill you and your innocent civilians by night. That is wrong." (*New York Times*, 6 August 1996, A1)

In reaffirming national emergency with regard to Iran: “The actions and policies of the Government of Iran, including support for international terrorism, its efforts to undermine the Middle East peace process, and its acquisition of weapons of mass destruction and the means to deliver them, continue to threaten the national security, foreign policy, and economy of the United States.” (USIS, 11 March 1999)

### *Senator Alfonse D'Amato (R-NY)*

"We are subsidizing Iranian terrorism by purchasing their oil and it has to stop. Simply put, a foreign corporation. . .will have to choose between trade with the United States or trade with Iran." (*Washington Post*, 18 February 1995, A6; AIPAC, 20 November 1995)

### *President George W. Bush*

“The Iranian government must listen to the voices of those who long for freedom, must turn over Al Qaeda that are in their custody and must abandon their nuclear weapons program.” (*New York Times*, 2 January 2004, A10)

“The Iranians should not have a nuclear weapon, the capacity to make a nuclear weapon, or the knowledge as to how to make a nuclear weapon.” (*New York Times*, 30 April 2006, 1.1)

### *Defense Secretary Hillary Clinton*

“We want Iran to calculate what I think is a fair assessment, that if the US extends a defense umbrella over the region, if we do even more to support the military capacity of those in the gulf, it is unlikely that Iran will be any stronger or safer, because they won’t be able to intimidate and dominate, as they apparently believe they can, once they have a nuclear weapon.” (*New York Times*, 23 July 2009, A1)

"They need to make clear their nuclear programme . . . and work toward peaceful nuclear energy that can be verified and completely accepted by the international community." (*Financial Times*, 25 September 2009, 5)

## Response of Target Country

*President Ali Akbar Hashemi Rafsanjani*

Shortly after his election in October 1989, Rafsanjani says he has no information on hostages in Lebanon, denies that Hezbollah (radical Lebanese Moslem group closely linked to Iran) has control over them. However, he offers to assist in obtaining hostages' release "in exchange for the unfreezing of Iran's assets and Western help in tracing four Iranian diplomats who had disappeared in Lebanon in 1982. . . ." (*Facts on File*, 833)

"The president of the International Atomic Energy Agency has announced several times that Iran is not pursuing a nuclear weapons program. Nuclear energy has many useful purposes that can be used for development, in the health sector and hundreds of other fields. Before the Islamic revolution the United States offered to help Iran build up to ten nuclear plants. We do not understand the logic of why a great country like ours should be deprived of such an asset. Why are you providing North Korea with nuclear facilities? The American treatment of Iran is bullying." (Viorst 1995, 75)

*Ahmad Rahgozar, Deputy Oil Minister*

"These new policies will not do much. They don't have practical applications, because during the past 17 years after the Islamic revolution we have learned how to live with this American problem. There are many other technical and science centers in the world, especially in petrochemicals. Among the seven major industrialized countries, we have problems with only one." (*Financial Times*, 6 December 1995, 7)

*President Mohammad Khatami*

"There will be no progress [with the US] until it is willing to stop bringing harm to our country. Any change in these relations depends on them changing their policies. Unfortunately we do not see any sign of that." (*Financial Times*, 18 May 1997, 6)

*President Mahmoud Ahmadinejad*

"They confront us and deal with us in a very harsh and illegal language, but ultimately they need us more than we need them." (*Washington Post*, 15 January 2006, A20)

"Enemies have assumed that they can prevent the progress of the Iranian nation through psychological war and issuing resolutions, but they will be defeated." (*New York Times*, 6 January 2007, online)

"Iran will not retreat one iota... We are in favor of talks, but we will not negotiate with anyone about our right to nuclear technology." (*New York Times*, 24 October 2007)

*H. Shariatmadari, a leading Iranian conservative theorist*

"Sanctions are not useful nowadays, because we have many options in secondary markets, like China." ([www.inthenationalinterest.com](http://www.inthenationalinterest.com))

*Ali Larijani, Chairman of Iranian Parliament*

In response to President Obama's inauguration, "In the past, the US has burned many bridges, but a new White House can rebuild them." (Wall Street Journal, 7 February 2009, A6)

*Ali Akbar Salehi, Atomic Energy Chief*

"We will not discuss about our rights [to enrich uranium]...But we are ready to discuss about nuclear disarmament and nonproliferation." (*New York Times*, 30 September 2009, online)

*Major General Hassan Firouzabadi, Iran's Military Chief*

"If America presents Iran with a serious threat and undertakes any measure against Iran, none of the American soldiers who are currently in the region would go back to America alive." (*Reuters*, 8 April 2010)

## Attitude of Other Countries

### *Soviet Union/Russia*

As of July 1987, “Moscow continued to be Iraq’s major arms supplier, but also placated Iran by condemning the U.S. regional military buildup and advocating a withdrawal of all outside naval forces from the Gulf.” (*Facts on File*, 531)

Russian President Boris Yeltsin (reacting to US threats to sanction Russian and French energy firms investing in Iran):

“Russia, France, and Iran are all independent freedom-loving states and it is impermissible for others to interfere and dictate which documents we can sign and which we cannot.” (*Financial Times*, 2 October 1997, 5)

### *President Vladimir Putin*

“Economically, Russia is interested in cooperation [with Iran]...and politically, Iran should be a self-sufficient, independent state that is ready to protect its national interests.” (*New York Times*, 13 March 2001, 7)

"Russia will continue to cooperate with European and U.S. colleagues in promoting a solution to the issue. Russia, Germany, our European partners and the United States—we all have very similar approaches to the Iranian problem." (*Washington Post*, 17 January 2006, A1)

Vladimir Putin cautioned against military action in Iran, stating that “We should not even think of making use of force in this region.” During a meeting between Moscow and Tehran, Putin states that “Russia is the only country that is helping Iran to realize its nuclear program in a peaceful way.” (*New York Times*, 17 October 2007, A6)

### *Sergey Lavrov, Foreign Minister*

Iran needs “an equal place in this regional dialogue,” and “Iran is a partner that has never harmed Russia in any way.” (*Wall Street Journal*, 11 September 2009, A1)

### *President Dmitri Medvedev*

In an address to the League of Arab States, President Medvedev states that: "we are convinced that the sanctions path is not optimal [but] at the same time, developments along this scenario can't be excluded." (*RFE*, 27 March 2010)

### *China*

Chinese Ambassador to UN Huang Jiahua says that “the ‘primary objective’ of the [Security Council] resolution from the start was to ‘encourage’ Iran and Iraq to agree to a cease-fire.” he gives no indication whether China would be prepared to impose sanctions for noncompliance. “China had reportedly become Iran’s major arms suppliers.” (*Washington Post*, 21 July 1987, A1; *Facts on File*, 531)

Chinese Foreign Ministry spokesman: "The US act on intensifying sanctions against Iran and Libya is not consistent with. . . international relations and will do no good to the settlement of the problem. Nobody should frequently resort to sanctions or pressures to resolve such problems." (Agence France-Presse, 7 August 1996)

Sinopec official: "Sinopec is paying no attention to the U.S. request and will do its utmost to carry on its bidding for an exploitation project in an Iranian oilfield." (www.inthenationalinterest.com)

Chen Fengying, an expert at the China Contemporary International Relations Institute, which is based in Beijing and affiliated with the state security system: "Chinese companies must go places for oil where American [and] European companies are not present." (*Washington Post*, 23 December 2004, A1)

Foreign Ministry spokesman Kong Quan: "We oppose the habitual use of sanctions, or threats of sanctions, to solve problems. This only complicates problems." (The Jamestown Foundation 2006)

*President Hu Jintao*

"Both China and Iran are big developing nations, and have strong economic complementarity and great potential of cooperation." (New York Times, 7 September 2008, A12)

*Qin Gang, Ministry spokesman*

"China opposes Iran possessing nuclear weapons, but at the same time we believe that, as a sovereign state, Iran has the right to peacefully develop nuclear energy." (*Reuters*, 31 March 2010)

*France*

Tensions between Paris, Tehran escalate following refusal of Iranian embassy to surrender official wanted for questioning in French investigation of series of bombings that killed a dozen persons in fall 1986. France breaks diplomatic relations in July 1987, bans imports of Iranian crude oil in August. France lifts oil embargo in December 1988. (*Washington Post*, 7 August 1987, A25; *Facts on File* 1988, 988)

French Foreign Ministry spokesman Jacques Rummelhardt:

"The activities of French companies in Iran are entirely legal. There is no international restriction or embargo on Iran." (*Journal of Commerce*, 22 May 1997, 3A)

*President Jacques Chirac*

"I am never favorable to sanctions," if they are unavoidable, they should be "moderate and adapted." (*Wall Street Journal*, 22 September 2006, A10)

*President Nicolas Sarkozy*

"Everybody knows that there are serious consequences to a policy that would allow Iran to follow its nuclear path," Sarkozy said. "It would see a general proliferation in the region or even military conflict." (*Reuters*, 25 August 2010)

### *Germany*

Klaus Kinkel, German Foreign Minister: "It is in our view better to continue the dialogue with Iran rather than break off all contacts, introduce sanctions and further radicalize Iran by isolating the country." (*Reuters*, 9 May 1996)

### *Chancellor Angela Merkel*

"Zero tolerance needs to be shown when there is a risk of weapons of mass destruction falling, for example, into the hands of Iran and threatening our security." Merkel states that a nuclear weapon "in the hands of an Iranian president who denies the Holocaust, threatens Israel, and denies Israel the right to exist is not acceptable." (*RFE*, 4 November 2009)

### *European Community*

"Member states represented in Iran registered their protest [in Rushdie affair] by withdrawing their heads of mission, although most were returned quietly within a month." In May 1990, senior EC officials agree to meet with Iranian representatives in Dublin, the first high-level meeting in a year. (*Financial Times*, 11 May 1990, 26)

Hugo Paemen, EU ambassador to the United States: "We have basic interests with a country like Iran, which are different than the United States. . . . It's more a question of, is it wise to isolate a country of the importance of Iran. . . . I don't think we can give many examples of where economic sanctions have led to results." (*International Trade Reporter*, 31 January 1996, 181)

Tehran-based European diplomat: "The feeling in the diplomatic community was that America's calculations had nothing to do with foreign policy. They all had to do with domestic politics, a field in which we had no interest in getting involved." (*Viorst* 1995, 75)

### *Javier Solana, EU foreign policy chief*

With regards to the EU negotiations with Iran: "Is this approach free of risks? No. Does it have a guarantee of success? No. But at this point in time it is the only game in town, no doubt about that. The other options are worse." (*New York Times*, 29 January 2005, 3)

Upon leaving office, Solana states that: "The dust has not settled in Iran, and it is linked to an inability to take decisions for internal political reasons." (*New York Times*, 30 November 2009)

### *Chris Patten, EU commissioner for external relations*

The European Commission regrets the Congressional decision on 27 July to extend the Iran and Libya Sanctions Act (ILSA) for another five years. As a matter both of principle and policy, the European Union has long opposed unilateral sanctions laws with extraterritorial effects. Such laws, designed to impose US requirements on economic operators of foreign countries, threaten the open international trading system. The European Union has adopted a Blocking Statute,

which makes it illegal for any European Union company to comply with ILSA. But the US measure still creates uncertainty and expense for European companies. The Understanding reached at the EU-US Summit in London on 18 May 1998 was designed to avoid such consequences. . . . In April 1997 the European Council decided that the EU would request the re-establishment of a WTO panel against the US should any action be taken against EU companies or individuals under the Helms-Burton Act or ILSA. That decision still stands.

<http://europa.eu.int>

### *Israel*

#### *Prime Minister Ehud Olmert*

“The international community has a duty and responsibility to clarify to Iran, through drastic measures, that the repercussions of their continued pursuit of nuclear weapons will be devastating.” (*New York Times*, 4 June 2008, A8)

### *Libya*

#### *Muammar el-Qaddafi*

“What Iran is doing is pure vanity.” (*New York Times*, 6 August 2008, A5, A10)

### *Japan*

Japanese Foreign Minister Michio Watanabe: announces that Japan will not abide by US sanctions against Iran. The foreign ministry signals, however, that it will take US objections into consideration in its decision to extend development assistance to Tehran. (*Journal of Commerce*, 16 November 1992, 16A)

Japanese Foreign Ministry Official: "By having reasonable relations with Iran, we have some influence. . . . Iranian politics is complicated and it is far from clear what would happen if [President Rafsanjani] was ousted. But it could lead to an extreme form of government, and that would not be in the international community's interest." (*Financial Times*, 3 May 1994, 4)

*Official at Ministry of International Trade and Industry*: Japan is unlikely to give up Azadegan for an Iraqi deal when Iraq's future is so unpredictable. (*Financial Times*, 8 August 2003, 14)

*Yoriko Kawaguchi, Japanese foreign minister*: "We pursue the (nuclear) concerns and also we pursue the goal of having the supply of oil taken care of. These are two separate policy issues and each one is important." (*Financial Times*, 28 August 2003, 7)

*Shoichi Nakagawa, Japanese minister of economy, trade and industry*: "As the only country that has experienced the attack of an atomic bomb, Japan is more sensitive than any other country to nuclear proliferation. . . . This matter will have to be dealt with in its totality, taking into consideration all these aspects." (*Financial Times*, 26 September 2003, 11)

### *Yoshito Sengoku, Chief Cabinet Secretary*

"We took those steps as they are necessary to push for nuclear non-proliferation and prevent its nuclear development... We have traditionally close relations with Iran and from that standpoint, we will patiently encourage the country towards a peaceful and diplomatic solution." (*BBC News*, 3 September 2010)

*United Nations*

*Glyn Davies, UN envoy to the International Atomic Energy Agency*

"We have serious concerns that Iran is deliberately attempting, at a minimum, to preserve a nuclear weapons option." (*Financial Times*, 10 September 2009, 6)

*International Atomic Energy Agency*

*Mohammed ElBaradei, IAEA Director General*

"There has been no movement on remaining issues of concern which need to be clarified for the agency to verify the exclusively peaceful nature of Iran's nuclear program." (*Wall Street Journal*, 27 November 2009, A7)

## Legal Notes

### *Iran and Libya Sanctions Act of 1996*

Under Section 4 (c) the President may waive the imposition of sanctions against nationals of a country if “that country agreed to undertake substantial measures, including economic sanctions, that will inhibit Iran’s efforts” to promote international terrorism and acquire weapons of mass destruction.

Section 9 (c) gives the President the authority to waive imposition of sanctions “if it is important to the national interest of the United States to exercise such waiver authority.” (Public-Law 104–172)

### *Private Litigation under Foreign Sovereign Immunities Act*

“Amendments that started in 1996 to the U.S. Foreign Sovereign Immunities Act (FSIA) now essentially allow a new category of suits against a foreign state by: (1) U.S. nationals, (2) who are seeking money damages for personal injury or death, (3) ‘that was caused by an act of torture, extrajudicial killing, aircraft sabotage, hostage taking, or the provision of material support or resources . . . for such an act if such act or provision of material support is engaged in by an official, employee, or agent of such foreign state while acting within the scope of his or her office, employment, or agency . . . .’ These suits are an exception to foreign sovereign immunity under new subsection (a)(7) of Section 1605.

“This exception is limited to suits against states that are designated by the Executive Branch as a state sponsor of terrorism. Seven states are now so designated: . . . Iran . . . .” (Carter 2002, 933–34)

## **United States Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (CISADA)**

On June 24, 2010 CISADA was passed by both Houses of Congress, and was signed into law on July 1, 2010. CISADA substantially amends, expands and extends the Iran Sanctions Act of 1996. CISADA provides new sanctions against banks and foreign financial institutions that engage in transactions with Iran; increases criminal penalties for violating sanctions; allows state and local governments to divest their assets from or prohibit investments of such assets in foreign companies engaging in sanctionable activities. CISADA also provides measures to address the diversion of trade of US products from third countries to Iran.

The new legislation adds three new possible sanctions to the existing list of six, and now requires the imposition of three out of nine, rather than two out of six sanctions. The original six sanctions options were:

1. Denial of any guarantee, insurance or extension of credit from the US Export-Import Bank for exports to a sanctioned person.
2. Denial of licenses for the export of military, dual use, or nuclear-related goods or technology to the sanctioned entity.
3. Denial of US bank loans/credits exceeding \$10 million in any 12 month period to the sanctioned entity.

4. The prohibition of financial institutions services as a primary deal in US government bonds, and / or the prohibition on its serving as a repository for US government funds.
5. The prohibition on US government procurement from the sanctioned entity.
6. Restriction on imports from the sanctioned entity.

The three new possible sanctions prohibit transactions subject to US jurisdiction involving:

1. Foreign exchange.
2. The transfers of credit or payments between financial institutions by or through any financial institution.
3. Acquiring, holding, withholding, transferring or using any property subject to US jurisdiction.

Newly sanctionable activity under CISADA includes the following:

- Foreign companies that knowingly (actually know or “should have known”) sell, lease or provide goods, services, technology and training, (that amounts to a market value of \$1 million or more) that could facilitate the maintenance or expansion of Iran’s oil and gas industry.
- Foreign companies that sell, lease or provide Iran with refined petroleum productions amounting to \$1 million or more.
- Foreign companies that sell, lease or provide Iran with goods, services, , technology and training (amounting to \$1 million or more) that could contribute to the enhancement or Iran’s ability to import refined petroleum products. This includes:
  - o Underwriting, insurance and reinsurance
  - o Financing or brokering of sales, leasing, etc.
  - o Providing ships of shipping services.

Additional changes include the following:

- Freezing of assets of persons engaged in sanctionable activities, *and* their family members of associates acting on their behalf.
- Sanctions now apply to the person or entity engaged in sanctionable activity and the parent company, affiliate or subsidiary, if they knowingly (“should have known”) engaged in sanctionable activities.
- Waiver of sanctions is extended from 6 to 12 months; however the new legislation restricts the President’s ability to waive the imposition of sanctions. A Presidential waiver of the imposition of sanctions can be only if the President determines that it is “necessary” to US national interest. Under ISA the President could waive sanctions by finding that it was “important” to national interests.

### **European Council Implementing Regulation (EU) No 668/2010**

On July 26, 2010 the European Union enacted Regulation 668/2010, which amends Regulation 423/2007 concerning restrictive measures against Iran. Regulation 668/2010 expands the scope of EU sanctions against Iran, by targeting new Iranian entities, including those listed in the UNSC Resolution 1929, and additional entities blacklisted by EU countries. Sanctions target the energy, insurance, transport and financial sectors, and focus on preventing the sale and supply of

goods, technology and training related to nuclear production and missile development. Sanctions target energy, financial and transport sectors, and the Iranian government, Iranian entities and foreign entities associated with or under the jurisdiction of Iran.

New measures include the following:

- The prohibition of the provision of insurance and reinsurance to the government of Iran or any entities that are acting on the behalf of, or are owned or controlled by any entity under Iran's jurisdiction. However the provision of health and travel insurance for individuals is exempted.
- The prohibition of the export to Iran, of goods, services, technical data that is considered dual-use. Legislation also prohibits the financing of these dual use goods and services; however certain telecommunication and encryption items are excluded.
- New export controls that restrict the export of key equipment and technology for the oil and gas refining, liquefied natural gas, exploration and production sectors. Financing, technical assistance and services related to the aforementioned are also prohibited.
- Prohibition of any financial loan or credit to; acquisition or participation in; and creation of any joint venture with Iranian oil and gas enterprises.
- EU financial institutions are required to engage in enhanced due diligence and implement new financial controls including:
  - o Maintenance of records of financial transactions for 5 years, available to national authorities.
  - o Complete all information fields on payment instructions before transactions are processed.
  - o Report any suspicion that funds are related to Iran proliferation financing to the relevant Member State authority.
- EU persons and entities must report transfers of funds to or from Iran €10,000 (\$15,000) to relevant Member State authority; and transfers above €40,000 (\$60,000) require prior approval of the Member State.

These measures apply to persons, entities and bodies involved in/related to:

- Nuclear or ballistic missiles activities
- The Islamic Revolutionary Guard Corps
- Islamic Republic of Iran Shipping Lines

### **United Nations Security Council Resolution 1929**

June 9, 2010 the UNSC passed Resolution 1929, which amends and expands three previous rounds of UN sanctions against Iran: resolutions 1737 (2006), 1747 (2007), and 1803 (2008).

New sanctions include the following:

- The prohibition of Iranian investments in foreign nuclear activities, activities involving ballistic missiles capable of delivering nuclear weapons, and investment in uranium.
- The prohibition of states selling or supplying conventional weapons, and are prohibited from providing technical or financial assistance.
- The prohibition of the provision of financial services that contribute to Iran's nuclear proliferation program.

- States are prohibited from engaging in new banking activities with Iran, including the opening of new branches of Iranian banks, joint ventures, etc that are suspected to be linked to nuclear proliferation.
- Iran is subject to a new regime for inspection of suspicious cargo. This includes the inspection of any vessel (Iranian or foreign) on a foreign territory suspected of carrying prohibited cargo. States are required to seize and dispose any banned items found.
- The addition of technical items related to nuclear and missile proliferation prohibited for transfer to and from Iran.
- Asset freeze on three subsidiaries of the Islamic Republic of Iran Shipping Lines (IRISL), Iran Air's cargo division, and the Islamic Revolutionary Guard Corps (IRGC).
- Assets freeze and travel ban on certain persons and entities.

Resolution 1929 reaffirms the willingness of the UNSC to further enhance diplomatic efforts to promote dialogue and consultations with Iran, including resuming dialogue with Iran on nuclear issues without preconditions, to implement a long-term solution based on the proposal put forward by the UNSC on June 14, 2008. This proposal, set out in Annex IV of UNSC Resolution 1929, includes the following:

- Once Iran verifiably suspends its enrichment-related and reprocessing activities, the UNSC agrees to:
  - o Recognize Iran's right to develop, research, production and use of nuclear energy for peaceful purposes, in conformity with its Non-Proliferation Treaty (NPT) commitments.
  - o Treat Iran's nuclear program in the same manner as that of any non-nuclear weapon state party to the NPT, once international confidence in the peaceful nature of Iran's nuclear program is restored.

## **Economic Impact**

### ***Observed Economic Statistics***

“According to the General Accounting Office, during the period January 25, 1985, to January 20, 1986, requests were denied for \$25 million worth of export licenses for Iran.” That figure rose to \$132 million in 1989. (CRS 1992; US Department of Commerce 19)

Commerce Department analyst estimates that exemption from import ban allowing entry of Iranian oil refined in third country could permit as much as \$50 million a year in Iranian oil products to enter US market. Between January, August 1987, US imports from Iran total \$1.6 billion, with crude oil making up all but small part. (*International Trade Reporter*, 11 November 1987, 1388)

Daily US purchases of Iranian oil before US trade ban (1994): Exxon: 200,000-300,000; Coastal: 130,000; Mobil: 40,000-50,000; Caltex: 60,000. US company purchases account for around 25 percent of total Iranian oil exports. (*Washington Post*, 18 February 1995, A6)

After the announcement of the US trade ban in March 1995, the Iranian rial starts to slide on fears that other countries might join the ban. Iranians begin to buy dollars and gold; some even sell their homes for dollars to protect the value of their assets. The free market price of the currency drops from 2,500 rials/dollar to more than 7,000 rials/dollar. The government steps in and sets a fixed rate of 3,000 rials/dollar until the end of March 1996. (*Financial Times*, 24 May 1995, 7; *Journal of Commerce*, 13 June 1995, 1A)

The average unofficial exchange rate, which dropped from an average of IR 2,400: \$1 in 1994 to IR 4,000: \$1 in 1995 and IR 4,500: \$1 in 1996, is likely to continue weakening, but at a slower pace. (*EIU Country Report: Iran*, 2nd quarter 1997, 18)

“At the current artificial level, with only 3,000 rials to the dollar instead of 6,000, it is unattractive to export, and so non-oil exports have fallen by one billion dollars a year, or one-fourth, from their pre-sanctions trend. That only makes the foreign exchange shortage worse, and compels Tehran to impose more and more controls in a spiral downwards into a distorted and inefficient economy.” (Clawson 1997, 17)

“Replacing imports from the United States (including crucial oil-drilling and other equipment) has had to be done at higher prices, or with less desirable substitutes, in third-market parties. And renovating the aging, American-based, oil infrastructure has been expensive. The ambitious post 1989 defense build-up has been cut back, and arms purchases from abroad have been curtailed.” (Amuzegar 1997a, 193)

Among other reasons, “US sanctions have been ineffective” because “they have not been airtight. Companies and contractors from other Western countries have served as proxies for US subsidiaries abroad. Shops in Iran are stocked with American goods of every description—many smuggled in, but others imported legally through neighboring countries. Some Iranian exports also have found their way into the American market through third parties and legal loopholes.” (Amuzegar 1997b, 37)

"At the time the US embargo took effect, US companies had received nearly \$200 million worth of orders for oil equipment from Iranian oil companies—these orders can no longer be filled because of the embargo. The embargo is also expected to hurt US corn and rice growers. US exports to Iran were expected to reach almost 750,000 tons during the same year. In 1993, US exports of rice to Iran (which totaled nearly \$60 million) represented over 8 percent of total US rice exports that year. In 1992, US exports of oil and gas equipment to Iran (which totaled \$123 million) represented over 3 percent of total US oil and gas equipment exports for the year." (*Bureau of Export Administration Annual Report for Fiscal Year 1997*, III-23)

"After experiencing slowed economic activity in 1993 and 1994, the Iranian economy showed improved economic performance in 1995 and 1996, despite the imposition of unilateral US sanctions. In both 1995 and 1996, Iran's GDP grew at annual averages of slightly above 4 percent. The bulk of increased economic activity was in the manufacturing sector, which expanded by more than 5 percent in 1996... Oil export revenues currently comprise about 80 percent of Iran's total export earnings, the balance coming from sales of carpets (40% of non-oil export revenues), chemicals, pistachios, and metals. Though non-oil exports have been hurt by

an overvalued rial, higher world oil prices in 1996 led to estimated oil export revenues of \$18 billion. This contributed to a widening of Iran's trade [surplus], which was estimated at \$8 billion in 1996. In an effort to improve its trade balance and raise the foreign exchange reserves necessary to service its foreign debt, Iran has continued to cut its imports from traditional European trading partners.” (US Department of Energy, Energy Information Administration, *Iran Country Analysis Brief*, 1997)

“Iran is OPEC's second largest oil producer, with an estimated 1996 oil output of 3.76 million b/d, of which 3.65 b/d is crude oil. Since 1993, Iran has remained relatively close to its OPEC crude quota of 3.6 million b/d... Iran currently exports about 2.5 million b/d... the imposition of US sanctions in May 1995 resulted in a temporary alteration in the way in which NIOC (National Iranian Oil Company) sells its crude oil exports. . . . Iran was faced with the necessity of selling roughly 650,000 b/d that usually went to US buyers. While term customers were found shortly thereafter for about 2/3 of that amount, roughly 200,000 b/d had to be sold on spot markets in mid-1995. Subsequently, US purchasers have been replaced by term customers from a number of countries, including those in Italy, Spain, South Africa, Bulgaria, and Poland.” (US Department of Energy, Energy Information Administration, *Iran Country Analysis Brief*, 1997)

“Iran was able to clear up much of its overdue foreign debt last year because of a sharp rise in oil prices and the huge increase in the purchasing power of the dollar. . . . [However], the threat of US retaliation and the desire to stay in the good graces of the United States have discouraged some major potential investments in Iran. . . . Australia's giant Broken Hill industrial conglomerate canceled a pipeline project. A Japanese construction firm, JGC, backed out of onshore gas projects because it could not obtain financing for projects in Iran. And some foreign oil companies have reportedly backed off after considering investments in Iran.” (*Washington Post*, 3 March 1997, A8)

The latest EIU [Economist Intelligence Unit] estimates that there has been a steep 24 percent drop in per capita GDP in dollar terms from 1993 to 1997, although the picture is clouded by high inflation and Iran's deplorable reliance on multiple exchange rates... There are also signs of progress despite Iran's problems. Inflation fell to around 30 percent last year from 50 percent in 1995 and is expected to drop to 25 percent this year. (*Journal of Commerce*, 20 May 1997, 3A)

After the imposition of US sanctions it was widely surmised that Iran's future financial resources would be severely restricted, not only by limited access to foreign investment, but by the massive foreign debt that was accumulated during the country's rebuilding activities in the early 1990s. Since June 1995, however, Iran has acquired \$5 billion in medium-term credits from European countries (primarily Germany) that have been used to finance dozens of new infrastructure projects. In late 1996, Iran had rescheduled \$10 billion of its \$20 billion foreign debt. This rescheduling has greatly eased Iran's repayment schedule, which up until last year was estimated at \$4 billion per year. (US Department of Energy, Energy Information Administration, *Iran Country Analysis Brief*, 1997)

“Through July of this year, the US imported a minuscule \$99 million of goods from Iran, mostly rugs, nuts and juice, while shipping to Iran \$55 million of goods, nearly all of it cigarettes, pharmaceuticals and wood pulp. The other Security Council members have seen their business

with Iran increase. Their total trade with Iran is on track to top \$22 billion this year, up from \$18 billion in 2005.” (*Wall Street Journal*, 20 September 2006, A1)

“The European Union -- led by Germany, France and Italy -- has long been Iran's largest trading partner. Its share of Iran's total imports is about 35%. Even more notable: Its trade with Tehran has expanded since Iran's secret nuclear program was exposed. Between 2003 and 2005, Europe's exports rose 29% to 12.9 billion euros; machinery, transport equipment and chemicals make up the bulk of the sales. Imports from Iran, predominantly oil, increased 62% to 11.4 billion euros in that period. Iran tops Germany's list of countries with the largest outstanding export guarantees, totaling 5.5 billion euros. France's export guarantees to Iran amount to about 1 billion euros. Italy's come to 4.5 billion euros, accounting for 20% of Rome's overall guarantee portfolio. Little Austria had, at the end of 2005, 800 million euros of its exports to *Iran* covered by guarantees.” (*Wall Street Journal*, 20 February 2007, A16)

“During President Majmoud Ahmadinejad’s first four years in office, foreign investment in Iran’s energy industry plummeted by 64 percent, from \$4.2 billion to \$1.5 billion. Government mismanagement has also hamstrung Iran’s energy sector.” (Iran Energy Project, August 2010, 4)

“Putting Resolution 1929 into place doesn't constitute a full severing of ties, but it's still a significant step. Japan will freeze companies' and individuals' accounts linked to Iran's nuclear program, strengthen transport inspections and suspend oil-and-gas investments in the country. Seoul will do much of the same, including imposing heavy restrictions on the local branch of Bank Mellat, Iran's second-largest bank by assets, for ‘[facilitating] hundreds of millions of dollars in transactions for Iranian nuclear, missile and defense entities.’” (*Wall Street Journal*, 9 September 2010, online)

“The economic crisis we are witnessing today is a direct result of the sanctions -- and Iranian officials who say otherwise are fooling themselves,” said Mojtaba Vahidi, who served as a top-level manager for nearly two decades in Iran's ministries of finance and industry. Mr. Vahidi was an economic adviser to a candidate in last year's Iranian presidential elections and now lives in the US” (*Wall Street Journal*, 12 October 2010, A12)

“The International Monetary Fund, in its latest report on Iran, said that Iran’s economy grew 2 to 2.5 percent in 2008-09, a sharp drop from almost 7 percent the previous Iranian fiscal year, when oil prices were high. The IMF projects that the economy will grow between 1.5 to 2 percent in the year ending next March 31—not enough to provide jobs for those entering the workforce. Unemployment is officially 14 percent, but probably much higher.” (*Atlantic Council*, November 2010)

## Iran: trade with the United States, 1983 - 2009

(millions of dollars)

Year	Exports		Imports
	Total	Oil <sup>1</sup>	
1983	1,167	1,098	190
1984	730	629	162
1985	762	640	74
1986	612	505	34
1987	1,752	1,612	54
1988	9	-	73
1989	9	-	60
1990	7	-	166
1991	260	257	527
1992	0.8	-	748
1993	0.2	-	616
1994	0.9	-	329
1995	0.2	-	277
1996	-	-	0.3
1997	0.1	-	1
1998	-	-	-
1999	2	-	48
2000	175	30	17
2001	149	-	8
2002	163	-	27
2003	167	-	99
2004	156	-	85
2005	175	-	96
2006	157	-	86
2007	173	-	145
2008	104	-	683
2009	67	-	282

Source: Comtrade; CRS, 2010

<sup>1</sup>SITC Rev.2, code 33

## Iran: Petroleum exports and revenues, 1983-2009

	<b>Crude oil exports</b> (1000 barrels / day)	<b>Value of petroleum exports</b> (millions of dollars)	<b>Iran light crude</b> (spot price per barrel, \$)	<b>Iran heavy crude</b> (spot price per barrel, \$)
<b>1983</b>	1,719	20,273	28.15	27.22
<b>1984</b>	1,522	15,713	26.81	26.18
<b>1985</b>	1,568	13,012	26.03	25.56
<b>1986</b>	1,454	5,900	13.50	13.04
<b>1987</b>	1,710	9,400	17.03	16.57
<b>1988</b>	1,696	8,419	13.26	12.85
<b>1989</b>	2,120	11,315	16.04	15.54
<b>1990</b>	2,220	16,831	20.64	19.91
<b>1991</b>	2,420	15,276	17.34	16.33
<b>1992</b>	2,528	15,184	17.77	16.72
<b>1993</b>	2,600	12,773	15.06	14.08
<b>1994</b>	2,650	13,576	14.84	14.56
<b>1995</b>	2,621	14,973	16.17	16.26
<b>1996</b>	2,630	19,441	19.03	18.49
<b>1997</b>	2,587	15,553	18.24	18.00
<b>1998</b>	2,512	10,048	11.97	11.45
<b>1999</b>	2,291	16,098	17.25	16.93
<b>2000</b>	2,492	25,443	26.75	26.02
<b>2001</b>	2,185	21,420	22.90	21.67
<b>2002</b>	2,094	19,219	23.52	23.09
<b>2003</b>	2,396	26,124	26.89	26.33
<b>2004</b>	2,684	34,289	34.60	33.06
<b>2005<sup>a</sup></b>	2,700	46,600	50.66	48.32
<b>2006</b>	2,377	59,131	61.07	59.27
<b>2007</b>	2,467	64,901	69.30	67.06
<b>2008</b>	2,438	88,660	94.66	91.49
<b>2009</b>	2,232	55,604	61.25	60.62

Source: OPEC

a. Source: Energy Information Administration

[Case Studies in Sanctions and Terrorism](#)

Case 84-1, US v. Iran

[Institute for International Economics](#)

## **Calculated Economic Impact**

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Phase I, 1984-2005:

Impact of oil import embargo; welfare loss estimated at 10 percent of annual average sales to US in 1983-87 (given availability of other markets)

\$90 million

Reduction in high technology exports; welfare loss estimated 30 percent of value of licenses denied

\$40 million

Phase II, 1995-2005:

Ban on US company-mediated indirect oil exports from Iran; welfare loss estimated at 10 percent of annual average sales to all markets in 1995-1999 (given availability of markets and transaction costs of breaking into them)

\$380 million

US export embargo; welfare loss estimated at 20 percent of average annual US exports to Iran in 1990-94

\$100 million

US investment ban and impact of threat from US secondary sanctions on foreign investors; welfare loss estimated at 5 percent of potential investment of about \$7 billion/year (or about \$70 billion over a period of ten years)

\$350 million

Phase I, 1984-2005:

\$130 million

Phase II, 1995-2005:

\$830 million

Average annual total

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\$545 million

## Relative Magnitudes

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Gross indicators of Iranian economy	
Iranian GNP (1984)	\$151 billion
Iranian population (1984)	46 million
Iranian GNP (1993)	\$115 billion
Iranian population (1993)	64 million
Annual effect of sanctions on gross indicators (1984-base)	
Percentage of GNP	negl.
Per capita	\$ 2.83
Annual effect of sanctions on gross indicators (1993-base)	
Percentage of GNP	0.7
Per capita	\$11.72
Iranian trade with US as percentage of total trade	
Exports (1984)	5
Imports (1984)	1
Exports (1993)	0
Imports (1993)	7
1984 Ratio of US GNP (US GNP: \$3,774 billion) to Iranian GNP	25
1993 Ratio of US GNP (US GNP: \$6,288 billion) to Iranian GNP	55

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*Source: OECD, Geographical Distribution of Financial Flows to Aid Recipients, 1997; IMF, Direction of Trade Statistics, various issues.*

## Assessment

### *Business Week*

“Polhill’s release was engineered by Iranian President Hashemi Rafsanjani...[who] knows that he cannot fulfill his mandate of reviving the war-ravaged Iranian economy without Western help. He also needs allies to help hammer out a peace settlement with heavily armed Iraq.” (*Business Week*, 7 May 1990, 49)

### *Washington Post*

“Rafsanjani reportedly has decided that freeing the hostages is necessary before he can overcome his economic estrangement from the West, which has been a major obstacle to rebuilding Iran’s war-ravaged economy.” (*Washington Post*, 1 May 1990, A1)

### *Charles Lane*

"With European and Japanese cooperation in Clinton's new embargo, the Iranian economy might well have been fatally crippled. But without it, the chief result of tighter US trade restrictions will be to surrender business to American companies' European and Asian competitors. American policy, then, while morally unassailable, seems practically problematic. . . . If the stick of American sanctions were to be wielded in clever alternation with the carrot of European trade, both instruments might be more effective in inducing changes in Iran's behavior. As matters now stand, the Iranians are the ones exploiting the rifts among Western countries. A rethinking of tactics by Washington could help turn the tables." (Lane 1995, 88–89)

### *Jahangir Amuzegar*, minister of finance in Iran's pre-1979 government

“Altogether, the first test of the sanctions effectiveness, i.e., hurting the intended target, indicates some positive results. But, the second test, namely, achieving states objectives, has so far been unsuccessful. There has been no notable change in the behavior of the Islamic Republic on any of the issues of major concern for the United States... Washington may have made a point, but it has not reached its objectives.” (Amuzegar 1997b, 194)

"The psychological effects of the sanctions have been mixed. There are signs that despite their defiance of the United States, President Hashemi Rafsanjani and his government are wary of the costs of American enmity. They prefer compromise to sanctions and abhor the sanctions even as they claim immunity to them... On the other hand, US sanctions have created a siege mentality; the regime’s remaining supporters have become determined to rely on their own resources and ingenuity. The determination to become self-sufficient in most of their needs heralded a shift to other sources of equipment for exporting oil and stronger ties with Asia, Africa, and Latin America" (Amuzegar 1997b, 34)

### *Rep. Lee H. Hamilton*, (D-IN)

"Trade disputes over US sanctions could reduce, not increase, multilateral cooperation on Iran and Libya. Other governments are likely to conclude that cutting economic ties with Iran and Libya would mean capitulation to US pressure—a precedent they will not want to set." (*International Economy*, May/June 1997, 49)

*Kenneth Katzman, Iran analyst, Congressional Research Service*

"Terrorism is cheap. There's no way these sanctions will hurt Iran's finances enough to reduce its ability to sponsor terrorism." (*The International Economy*, May/June 1997, 47)

"Washington sought to expand international adherence to its embargo via diplomatic pressure, most notably through the 1996 Iran-Libya Sanctions Act. . . . Cooperation from Europe and Iran's other trading partners proved elusive, however, severely undermining the US effort to economically isolate Iran. Approximately 85 percent of Iran's foreign exchange derives from oil exports, and given the fungible nature of the oil market, US sanctions have had a negligible effect on Iran's export revenues and a limited impact on its overall economic development. Meanwhile, the Islamic Republic embarked on a concerted international initiative which—while not mitigating its most problematic policies—substantially enhanced its diplomatic and financial relations with Europe, Japan, and the Arab states of the Persian Gulf." (Maloney 2001)

"ILSA looks like an exhausted and toothless tiger. . . .the litany of US unilateral sanctions on Iran has neither affected nor deterred European and Japanese investment in Iran's energy sector. Instead, our unilateral sanctions have prevented US companies from pursuing lucrative business opportunities, thereby isolating only the United States. Attempting to add more teeth is not likely to yield additional leverage or to produce desired outcomes. One must therefore conclude that this legislation has outlived whatever usefulness it may once have had and that its continuation is more likely than not to have a net negative effect on US interests and policy goals." (Eizenstat 2004)

*President George W. Bush*

"We're relying upon others, because we've sanctioned ourselves out of influence with Iran." (*New York Times*, 29 January 2005, 3)

"Iran's nuclear policy is increasingly predicated on a mixture of ideological imperatives and nationalistic determinations that are largely immune to threats of sanctions or dangled rewards." (*Financial Times*, 21 December 2005, 17)

*Jon B. Wolfsthal, fellow, CSIS International Security Program*

"The ability of the United States and its allies to gain support for tough action at the UN, however, is a major question. China imports a considerable percentage of oil from Iran, and its unlikely to support sanctions against Iran's oil business. China, moreover, is largely opposed to UNSC intervention except in the most extreme cases. It is also not clear what possible UN actions might be effective in persuading Iran to reverse its recent actions. Domestic political considerations are a major factor in Iran's decision to resume its nuclear activities. President Ahmadinejad has gained power on a nationalistic platform and increasingly vitriolic rhetoric, and Iran's uranium enrichment efforts are increasingly case in terms of its national sovereignty and prestige." (Wolfsthal 2006)

*Atlantic Council*

"Although the Iranian government has managed to force protestors off the streets, it is still facing an unprecedented crisis of legitimacy that has fractured the bureaucracy and pitted even many conservatives against the current leadership. The country also faces a deepening economic

crisis as a result of U.S. and international sanctions, insufficient investment in the energy sector, and mismanagement of revenues and resources. This uncertain climate makes early resolution of U.S.-Iran differences unlikely, but offers promise for future reform and the replacement of current leaders by individuals more prone to compromise with their own people and the international community.” (November 2010)

“Iran has failed to secure prosperity for its people or the international recognition it purports to seek. Like a porcupine, it has projected an image of bristling strength out of proportion to its internal vulnerabilities. Despite its ties with non-state actors such as Hezbollah—and to peripheral nations such as Venezuela—Iran remains a strategically lonely nation, lacking membership in any significant defense alliance.” (March 2011)

## Authors' Summary

### *Overall assessment*

#### *Impairing Military Potential*

- Policy result, scaled from 1 (failed) to 4 (success) 2
- Sanctions contribution, scaled from 1 (negative) to 4 (significant) 2
- Success score (policy result times sanctions contribution) scaled from 1 (outright failure) to 16 (significant success) 4

#### *Political and economic variables*

- Companion policies: J (covert), Q (quasi-military), R (regular military) Q
- International cooperation with sender 2
- International assistance to target: A (if present) --
- Cooperating international organizations --
- Sanction period (years) 22+
- Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong) 2
- Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial) 1
- Regime type of target, scaled from 1 (authoritarian) to 3 (democratic) 1
- Type of sanction: X (export), M (import), F (financial) X,M,F
- Cost to sender, scaled from 1 (net gain) to 4 (major loss) 3

#### *Authors' Comments*

Sanctions contributed in the early 1990s to Iran's willingness to release some hostages and to a less blatant use of terrorism. The Clinton administration's flexible severity in administering ILSA also encouraged Khatami's qualified verbal rapprochement with the US, but sanctions have not prompted Iran to renounce the use of terrorism or the acquisition of nuclear weapons. For much of the case period, sanctions did not have more impact because the United States was unable to generate international support for its policy against Iran until 2005. Since then, the EU, led by France, Germany, and the UK, has become more concerned about Iran's nuclear activities and more aggressive in pushing for and implementing sanctions at the UN. Russia and China have also been willing to go along with UN sanctions, though they have generally tried to keep them limited and China, in particular, does not appear to be aggressively implementing or enforcing the sanctions.

UNSC Resolution 1929, combined with the U.S. CISADA legislation, and the new EU sanctions last summer, represented a significant strengthening of sanctions against Iran and they appear to be having substantial economic effects. Renewed spikes in commodity prices, including oil, however, offset some of those effects and any impact on the energy sector from reduced investment will take years to have its full impact. Iran is increasingly isolated, but at the time of writing, sanctions had failed to change its nuclear policy.

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