

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)

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| 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. (<i>Facts on File</i> 1988, 622; CRS 1988/1992, 100; US Department of Commerce 1990, <i>Annual Foreign Policy Report to Congress</i> , 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; <i>Facts on File</i> , 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)

- 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. (<i>Financial Times</i> , 5 August 1996, 1)
5 August 1996	President Clinton signs ILSA. (<i>New York Times</i> , 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. (<i>Journal of Commerce</i> , 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. (<i>New York Times</i> , 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. (<i>International Herald Tribune</i> , 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." (<i>Financial Times</i> , 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. (<i>Financial Times</i> , 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. (<i>Wall Street Journal</i> , 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)

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)

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)

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)

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)

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)

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)

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)

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)

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>)

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)

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)

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)

Iran: trade with the United States, 1983 - 2004

(millions of dollars)				
Year	Exports		Imports	
	Total	Oil ¹		
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
Source: Comtrade				
¹ SITC Rev.2, code 33				

Iran: Petroleum exports and revenues, 1983-2005

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

Source: OPEC

a. Source: Energy Information Administration

Calculated Economic Impact

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

\$545 million

Relative Magnitudes

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

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)

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. Sanctions have not had more impact, in part, because the United States was unable to generate international support for its policy against Iran until 2005. First, and to put it bluntly, its allies do not put as high a priority on punishing Iran for its inflammatory policies as the United States does, nor do they have the same willingness to sacrifice short-run commercial profits to demonstrate outrage against Iranian practices. The G-7 countries do control the export to Iran of dual-use items, but continue to trade extensively with Iran and to extend substantial amounts of trade and development finance. A second and related problem involves other countries that are willing to supply Iran with arms and material and nuclear technologies. Black Knights like China and North Korea are even more driven by the profit-motive and concerns for oil security than the industrial economies of Europe and Japan. Russia continues to see Iran as a key both to its diplomacy in the Middle East and for future cooperation on the pricing and transportation of oil.

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