

SHOULD THE UNITED STATES LIFT SANCTIONS ON IRAN TO ADDRESS ITS CORONAVIRUS OUTBREAK?

APRIL 5, 2020

Iran is the epicenter of the coronavirus outbreak in the Middle East. The Islamic Republic's leadership has engaged in a massive campaign aimed at lifting sanctions imposed on it for its malign activities, claiming sanctions hinder efforts to address the COVID-19 public health crisis. This memo, however, assesses that lifting sanctions would be ill-advised. The Iranian population suffering from COVID-19 deserves much needed medical assistance but that should be funded through reliable NGOs, bypassing the regime and not through the transfer of funds to the regime, which has ample financial resources estimated at over \$300 billion for economic stimulus and humanitarian aid.

On April 2, 2020, Iran's President Hassan Rouhani [admitted](#) that the regime's public relations campaign ultimately aims to convince the world to lift sanctions on Iran using coronavirus as a pretext. Speaking at his cabinet's economic meeting, Rouhani [said](#) U.S. sanctions have not curbed Iran's ability to cope with the COVID-19 outbreak. Numerous Iranian health officials [have confirmed](#) this [assessment](#). Rouhani added that Iran has "a good reserve of essential commodities for the next months and agriculture and trade ministers have given very promising reports for the situation during the coming months."

Rouhani also told his colleagues that Iran's Central Bank Governor [said](#), "Iran has no problem in providing foreign currency until the end of the [Iranian] year," which is March 2021.

The United States has no sanctions targeting humanitarian goods. Washington has established a banking channel with Switzerland to facilitate humanitarian trade for Iran while retaining oversight against Tehran's [long-standing abuse](#) of humanitarian exemptions to U.S. sanctions laws. Several Iranian banks remain on the SWIFT financial messaging system to process humanitarian transactions. Tens of billions of dollars in Iranian oil escrow accounts exist around the world available for this trade.

[Trade data](#) and Iranian government officials [confirm](#) that Iran is receiving billions of dollars in essential goods that it needs to address its health crisis. Economic stimulus packages similar to what governments around the world have implemented should come from the regime's over \$300 billion in financial holdings not from any sanctions relief. The United States should only consider suspending or lifting sanctions when the regime ends its malign activities.

U.S. SANCTIONS DO NOT PRECLUDE IRAN'S ACCESS TO HUMANITARIAN ASSISTANCE

The United States has no sanctions targeting humanitarian goods. On the contrary, such goods are specifically exempted from all Iran sanctions. Sanctions targeting the Central Bank of Iran, as required by Section 1245 of the National Defense Authorization Act of 2012, exempt transactions related to food, medicine, medical devices

and agricultural commodities. Sector-based sanctions imposed by statute and executive orders likewise exempt such transactions. Moreover, the Trade Sanctions Reform and Export Enhancement Act (TSRA) of 2000 [exempts](#) medicine, medical devices, and food from U.S. sanctions writ large.

- [TSRA implementation](#) created a general license to allow the export of certain agricultural items, medicines, and medical devices to Iran.
- In December 2016, OFAC [amended the general license](#) to include most medical devices, [decreasing the number](#) of OFAC-specific licenses to Iran. The OFAC general license authorizing the export of medical and food products to Iran is found in [15 CFR 560.530\(a\)\(3\)](#) of OFAC's Iranian Transactions and Sanctions Regulations.
- Secretary of State Mike Pompeo [said](#), "There is no sanction on medicines going to Iran, there is no sanction on humanitarian assistance going into that country. They've got a terrible problem there and we want that humanitarian, medical assistance to get to the people of Iran." Many U.S. companies and their non-U.S. affiliates [continue to export humanitarian items](#) to Iran in an OFAC-compliant manner.

[EU trade data](#) shows that Iran has not had difficulty maintaining its imports of pharmaceuticals from Europe. Even so, the United States has taken additional steps to ensure the continuation of humanitarian trade. These steps include the establishment of a special Swiss banking channel to give companies confidence in conducting such transactions in a manner that reduces the risks associated with selling humanitarian goods to a regime that uses front companies to divert products to the black market.

- During the first full year after the re-imposition of U.S. sanctions in 2018, total EU exports to Iran fell by nearly half, while pharmaceutical exports fell by just over 5 percent. A recent FDD [analysis](#) of pharmaceutical trade between Europe and Iran shows little change between 2011 and 2019 despite periods of imposition, suspension, and return of sanctions. The single-digit decline in Iranian pharmaceutical purchases in 2019 may just be noise in the data with no relationship to the return of sanctions.
- The United States [announced](#) in January 2020 that it had completed the first shipments of medicine through a special U.S.-Swiss channel for humanitarian trade with Iran.
- In addition, on February 27, 2020, the U.S. Treasury Department's Office of Foreign Assets Control [provided a general license](#) authorizing certain humanitarian trade transactions with the Central Bank of Iran (CBI), even though CBI remains designated for financing terrorism.

IRAN HAS SIGNIFICANT FINANCIAL RESOURCES AVAILABLE TO FIGHT AGAINST CORONAVIRUS

Iran has sufficient funds in its five escrow accounts to use on pharmaceuticals and on anything it needs to address health concerns in the country.

- U.S. Special Representative for Iran Brian Hook [estimated in December 2019](#) that Iran has roughly \$90 billion in escrow accounts. Pursuant to Section 1245 of the Fiscal Year 2012 National Defense Authorization Act, as amended by the Iran Threat Reduction and Syria Human Rights Act of 2012, these funds are available to purchase humanitarian goods from any country as well as non-sanctionable, non-humanitarian goods from the countries where such escrow accounts reside.

Iran's supreme leader, Ayatollah Ali Khamenei, controls funds worth tens of billions of dollars that he could spend on medicine and healthcare needs for the Iranian people. Instead, he spends this money on malign activities.

- Supreme Leader Khamenei runs a [corporate conglomerate worth approximately \\$200 billion](#) that includes the Execution of Imam Khomeini's Order, or EIKO; the Mostazafan Foundation; and Astan Quds Razavi. Since much of this money is already in Iran, it cannot be reached by U.S. sanctions. Factoring in the [currency exchange rate](#), Supreme Leader Khamenei has trillions of rials available for an economic stimulus package for Iran.
- Supreme Leader Khamenei has a [sovereign wealth fund](#) known as the National Development Fund (NDF) with an estimated \$91 billion in assets, \$20 billion of which is in cash or cash equivalents. Some of these funds are abroad but most are in Iran and available to use on health crisis needs.
- In January 2018, the regime reportedly [authorized the withdrawal](#) of \$4 billion from the NDF, with \$2.5 billion going to the country's defense sector, and the remainder allocated to IRIB, Iran's state-run broadcaster, and to certain development projects.
- In January 2019, Tehran [authorized](#) the withdrawal of another \$1.5 billion to finance Iran's military activities.
- In January 2020, following the death of Qods Force Commander Qassem Soleimani, Ayatollah Khamenei [reportedly allocated](#) \$220 million out of the NDF to support the Qods Force.
- According to the State Department, the regime in Iran [has spent over \\$16 billion](#) on terrorism abroad since 2012.

IRANIAN OFFICIALS ASSERT SANCTIONS HAVE NOT AFFECTED IRAN'S CORONAVIRUS RESPONSE

Iranian officials have publicly announced that sanctions have had no real impact on their ability to combat the coronavirus outbreak.

- On March 25, 2020, the governor of the Central Bank of Iran, Abdolnasser Hematti, said that Iran [imported \\$15 billion](#) dollars of essential goods and medicine in the past 12 months. This most likely came from the oil escrow accounts, underscoring that there are ample funds for humanitarian needs.
- On March 26, 2020, President Hassan Rouhani [requested permission](#) to withdraw \$1 billion from the supreme leader's NDF to spend on the fight against the coronavirus outbreak. "We are in a better position than many other countries in the world although we have been under pressure by U.S. sanctions," President Rouhani said.
- On March 26, 2020, Iranian interior minister Abdolreza Rahmani Fazli [said](#), "In terms of our capacity to [respond to the crisis], we have had no difficulty."
- On March 26, 2020, the head of Iran's Food and Drug Administration, Mohammad Reza Shanehsaz, [said](#), "When it comes to medicine, we are capable of meeting our own needs. During the initial days [of the coronavirus outbreak], we had some difficulties. Some of our healthcare works were faced with some difficulties. But I can proudly say that today, we can meet our needs and do not have the same shortages. We have met our needs, thanks in large part to imports. I believe that soon, we would not even need imports."
- On March 30, 2020, Iranian Health Minister Saeid Namaki [said](#), "although it is hard to fight the coronavirus under sanctions, since the beginning [of the outbreak] we have not faced a shortage of special drugs needed to treat this disease."
- On April 1, 2020, Alireza Biglari, a high-ranking Iranian government scientist, [said](#), "if our neighbors and regional countries require help, the Health Ministry is also prepared to export them." [According to Bloomberg:](#)

“five medical research companies are each producing at least 80,000 kits a week, he said, while around 10,000 tests are being carried out per day across 90 laboratories in the Islamic Republic. Iran aims to double its testing ‘soon,’ according to Biglari.”

IRANIAN REGIME HAS A HISTORY OF DIVERTING RESOURCES INTENDED FOR HUMANITARIAN PURPOSES

International aid to Iran should bypass the regime and go through non-governmental organizations and international human rights organizations not subservient to the regime.

- The Islamic Republic has a well-documented record of diverting humanitarian goods to fund its terror operations. In 2018, the Treasury Department [exposed that the regime used](#) an Iranian medical and pharmaceutical company to facilitate illicit payments to Russia in a scheme to help Syria finance purchases of oil. The oil-for-terror network [involved](#) Central Bank of Iran officials facilitating the movement of hundreds of millions of dollars to support oil shipments to Assad. The putative medical and pharmaceutical company at the center of the scheme was Tadbir Kish Medical and Pharmaceutical Company, which was used to cover up these payments as part of an offsetting scheme ultimately funding Hizballah and Hamas through the Qods Force.”
- In the years leading up to the 2015 Iran nuclear deal, Turkey’s Halkbank helped facilitate billions of dollars in illicit transactions using fake invoices for [fictitious humanitarian goods](#). Gold trader Reza Zarrab, ringleader of the Turkish scheme, testified before a federal jury in the Southern District of New York in 2017 about these Turkish efforts to help Iran evade U.S. sanctions. [His testimony made clear](#) that Turkey’s sanctions-busting scheme came at the expense of Turkish businesspeople as well as needy Iranian citizens. The Iranian funds placed in escrow at Halkbank could have been used to make legitimate purchases of food and medicine. Instead, Zarrab’s front companies and fake exports generated commissions that went into bribing corrupt state officials. The scheme used up funds slated to meet Iranians’ humanitarian needs, redirecting that money instead to bankrolling corrupt Iranian mullahs, the nuclear program, and the Syrian war.
- In January 2019, the E3 and Iran created a special purpose trade vehicle called INSTEX. FDD [analysis shows](#) that the eight Iranian shareholders of the Special Trade and Finance Instrument (STFI), which Tehran created as a counterpart to INSTEX, are sanctioned entities because of malign activities, including support for terrorism, money laundering, and illicit finance. Banks and other companies may expose themselves to U.S. sanctions if they use channels like INSTEX to process transactions that may be connected to terror finance, the IRGC, and other money laundering schemes.
- In July 2019, President Rouhani’s chief of staff Mahmoud Vaezi [wrote in a letter](#) that one billion euros in hard currency allocated for importing medicines and essential goods “has disappeared.” The letter, addressed to the ministers of industry, agriculture, and public health, demanded an explanation about what has happened to the imports pledged by the recipients of the hard currency.
- In July 2019, Deputy Health Minister Alireza Raisi [said](#) the Iranian government allocated \$170 million at a subsidized rate to import tobacco and another \$16 million to import cigarette paper. According to Raisi, the subsidized rate of foreign currency was meant to be spent on importing essential medical supplies.
- The IRGC is [reportedly](#) hoarding medical supplies and selling them on the black market, an accusation the State Department reported on March 23, 2020. The diversion of humanitarian goods intended for the Iranian

people is sanctionable under The [Iran Freedom and Counter-Proliferation Act of 2012](#) as well as [Executive Order 13846](#).

THE IRANIAN REGIME MISMANAGED IRAN'S CORONAVIRUS RESPONSE

The regime's mismanagement of the coronavirus response has played a significant role in the country's current predicament and has endangered others around the world.

- The Iranian leadership failed to take precautionary measures as the coronavirus began to spread across the globe. On January 31, 2020, the Iranian government [announced](#) the suspension of all flights to and from China. However, Radio Farda [reported](#) that between February 4 and 22, Iran's Mahan Air flew at least 55 times to and from Beijing, Shanghai, Guangzhou and Shenzhen.
- Mahan Air spread disinformation about its ongoing flights to China. Around February 20, 2020, Mahan Air [claimed](#) to have flown only cargo flights providing humanitarian assistance to China, while grounding all passenger flights. However, [flight tracker data](#) shows passenger flight movements, not cargo.
- According to the State Department, at [least five countries imported](#) their first case of coronavirus directly from Iran. For example, the [Associated Press reported on April 1, 2020](#), that it took Lebanon more than three weeks to halt flights from Iran after a woman who had just returned from there emerged as Lebanon's first confirmed coronavirus case. [Critics of Hezbollah claim](#) Hezbollah was behind the delay, ostensibly to give its members and supporters time to return home. "Until when are we going to remain the victims of Hezbollah's bullying?" former cabinet minister May Chidiac said in a tweet during the weeks before flights were stopped. "This is new proof they control the fate of the nation," added Chidiac, who later tested positive for the virus after returning from Paris.
- The president of the Mashhad University of Medical Sciences [claimed](#) that the regime's reluctance to halt travel between China and Iran "prepared the ground for dissemination" of COVID-19, but state media repudiated his claims and removed this interview from permitted Iranian websites. Meanwhile, regime officials continue to [blame](#) the spread of the virus on "Americans' biological warfare."
- The regime in Iran has silenced and even imprisoned Iranians who spoke out about the outbreak. For example, in late February, freelance economic reporter Mohammad Mosaed [was temporarily detained](#) over social media posts critical of the government's lack of preparation to address COVID-19. Iranian security forces ordered Mosaed to disable his Telegram account, and the IRGC suspended his personal Twitter account.
- On March 5, 2020, security forces summoned to court a group of journalists in Saqqez for exposing the severe spread of COVID-19 in the city, which they alleged the central government tried to ignore. They also received threatening phone calls, according to [IranWire](#). Citizens writing on social networks about the spread of coronavirus were also arrested in Hormozgan and South Khorasan provinces, according to the same report.
- On March 10, 2020, Iran's [judiciary charged](#) Mostafa Faghihi with spreading lies when he published articles reporting that more than 20,000 people had been infected in the country and that 130 had died in one day in two cities. Faghihi is editor-in-chief of the moderate news site Entekhab, which the judiciary has previously blocked. Faghihi was forced to remove the stories and delete all related tweets. The Committee to Protect Journalists (CPJ) said that a review of the site and his social media accounts points to him going silent since he appeared in court.

- On March 5, 2020, the head of Iran's cyber police [announced the arrest of 121 Iranians](#) for “spreading rumors” about the coronavirus.
- The regime in Iran encouraged large public gatherings to further its interests, notwithstanding the harm spreading coronavirus would have. For example, Iran held its parliamentary elections on February 21, 2020. [According to CBS News](#), in the days leading up to the election, “there was no mention by Iran's state media of the virus having appeared in the country at all. Health officials had flatly denied there were any cases in Iran, dismissing ‘rumors’ about an outbreak as the work of Iran's enemies.” The day after the election, Iranian officials began announcing official tallies and death tolls from the coronavirus.
- [The regime mocked](#) proposals to quarantine the sick and punished medical workers for wearing masks. [Cutting off the Iranian people from global information](#) and news media, the Islamist regime spread the lie through its state media that the United States was spreading rumors about coronavirus to suppress voter turnout. Only days later, on February 19, 2020, the Iranian government admitted that COVID-19 resulted in two deaths in the city of Qom.
- The regime continues to downplay the true scale of coronavirus in the country. On March 20, 2020, the BBC published a report titled, “[Is Iran Covering Up Its Outbreak?](#)” According to the report, “an A&E medic from the Golestan Province says her hospital receives an average of 300 patients a day. She estimates that 60%-70% of those are infected with coronavirus, but due to lack of resources, only those who are critically ill are admitted. And only those who are admitted to hospital are counted in the official statistics.”

The regime in Iran has rejected foreign aid that was offered to help combat the coronavirus outbreak in the country.

- On March 22, 2020, during a televised address marking the Persian New Year, Ayatollah Khamenei rejected an offer of humanitarian assistance from the United States to fight the coronavirus. “Several times Americans have offered to help us to fight the pandemic,” [he said](#). “That is strange because you face shortages in America. Also you are accused of creating this virus. I do not know whether it is true. But when there is such an allegation, can a wise man trust you and accept your help offer? ... You could be giving medicines to Iran that spread the virus or cause it to remain permanently.”
- In the same speech, the supreme leader proffered the conspiracy theory that the U.S. military developed and spread the coronavirus. [He said](#) the coronavirus “is specifically built for Iran using the genetic data of Iranians which they have obtained through different means.”
- On the same day that the supreme leader publicly rejected U.S. assistance, Doctors Without Borders (MSF) sent a team and hospital unit into Isfahan, Iran. On March 23, 2020, officials in Khamenei's office and members of the IRGC [reportedly spread conspiracy theories](#) that MSF's real goal in Iran was spying and said they planned to expel the MSF from the country.
- The public embarrassment that ensued caused Iran to partially reverse its decision. The head of Iran's Health Ministry Public Relations Office, Kianoush Jahanpour, [said](#) that MSF services would go to foreign nationals. This news, [in addition to reports](#) that Hezbollah militants were brought into the country to help fight the coronavirus, suggests that the Iranian regime does not want foreign aid workers interacting with its civilian population. This could be due, in part, to the conspiracy theory espoused by the supreme leader that the coronavirus is a manufactured disease brought to Iran by foreign powers using aid workers.

IRAN'S ILLICIT ACTIVITIES CONTINUE DESPITE CORONAVIRUS OUTBREAK

Even as coronavirus hits the Iranian people, the regime has continued its illicit activities.

- Iran has continued to pursue its nuclear program during the pandemic and has [violated](#) the terms of the Joint Comprehensive Plan of Action. On March 4, 2020, the International Atomic Energy Agency (IAEA) reported that Iran has nearly tripled its stockpile of enriched uranium since November in breach of its nuclear commitments. Other violations, like [illicit attempts to procure](#) nuclear-related commodities from abroad, persist with scant mainstream media coverage. The regime is also [denying nuclear inspectors access](#) to certain suspicious sites related to the Iranian nuclear program and refuses to answer questions about possibly undeclared nuclear material and activities – all of which constitutes a breach of Iran's fundamental obligations under its Comprehensive Safeguards Agreement and the Nuclear Non-Proliferation Treaty.
- In February 2020, the Financial Action Task Force, the 39-country anti-money laundering organization, re-imposed countermeasures on Iran and kept it on its blacklist, because the Islamic Republic failed to address its systemic money laundering and terrorism financing. FATF's [recommendation of these stringent](#) measures to protect the global financial system from Iran's long-standing illicit financial activities, may explain any challenges Iran has in convincing banks to process transactions with its trade partners.
- The League of the Revolutionaries, [reportedly](#) a front for an Iranian-backed group in Iraq, claimed responsibility for a March 11, 2020, attack that killed two American service members at Camp Taji. It also claimed responsibility for a subsequent attack on the base later that same week. The IRGC and its network have a long history of utilizing front organizations for attacks in Iraq. On March 22, 2020, the League of the Revolutionaries released a video warning of future attacks against U.S. troops in Iraq and against Israel.
- On April 2, 2020, Reuters [reported](#), “hackers working in the interests of the Iranian government have attempted to break into the personal email accounts of staff at the World Health Organization (WHO) during the coronavirus outbreak.” This cyber-attack reportedly was a “phishing” scheme; the hackers tried to get WHO staff to sign into their personal accounts on malicious websites mimicking legitimate ones. According to Reuters, these details point to “links with Tehran.” Reportedly, the same websites used in the WHO attack “were deployed around the same time to target American academics with ties to Iran.”

Iran requested a \$5 billion loan from the International Monetary Fund, which it said was necessary to assist its COVID-19 effort. Were the IMF to approve this loan, there is deep concern – because of Iran's systemic corruption and opacity – that it would be misused to benefit Iran's leaders but not the Iranian people.

- The Islamic Republic of Iran [ranks](#) 146th among 180 countries, according to Transparency International's corruption index.
- The Central Bank of Iran – [designated by the United States](#) for its direct financing of terrorism – lacks the independence of a normal central bank and engages in a range of money laundering activities.
- The country's [banking system](#) is an inefficient structure where politically connected figures [embezzle](#) billions of dollars from ordinary depositors.
- The Islamic Republic's rampant corruption and money laundering practices are [rooted](#) in a financial structure that runs contrary to [IMF rules](#) by operating multiple currency exchange rates. While the IMF allows its members to operate multiple rates temporarily, Tehran relies on its multiple rates as a means of distributing political spoils by granting regime loyalists access to hard currency on favorable terms.