House Committee on Financial Services

Subcommittee on National Security, Illicit Finance, and International Financial Institutions

Hearing: How America and Its Allies Can Stop Hamas, Hezbollah, and Iran from Evading Sanctions and Financing Terror

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"The reality of jihad is the expenditure of effort and energy, and money is the backbone of war" – Hamas Fundraising Appeal, 2019

Since 2012, the Islamic Republic of Iran has spent more than $20 billion to support foreign terror groups in the Middle East and beyond. The regime in Iran uses these terror groups to advance its radical and revolutionary ideology dedicated to the destruction of the State of Israel (the "Little Satan"), the destruction of the United States (the "Great Satan"), and to undermine and overthrow rival Sunni governments in the Middle East. The regime massively increased funding to Hamas in the past year – enabling the terror group to launch the heinous October 7 terror attacks and to sustain its ongoing operations. This attack would not have been possible without funding from the regime in Iran.

Supreme Leader Ali Khamenei's economic and budgetary philosophy is to use all funds the regime can obtain for the support and conduct of its foreign policy of terrorism, leaving the bare minimum to sustain the needs of a functional state and ignoring entirely the material needs of the Iranian people. The United States must not aid this effort.

Instead of enabling the regime to access large sources of funding from abroad, the United States should claw back all funds within its jurisdictions, aggressively disrupt Iran's oil exports, advance economic pressure on other fronts, and force the regime to reckon with budgetary conundrums that will either degrade its domestic stability or its terror capabilities. This economic strategy is a critical part of any proper U.S. government strategy to curtail the regime's threats, but it must also be paired with robust military deterrence, diplomatic pressure, and support for the Iranian people's fight for freedom.

This testimony provides statistics and details on Iran's terror spending and financing, a brief outlook on Iran's economic strength and weaknesses, an analysis of recent large inflows of funds into Iran, an analysis of successes and failures of U.S. sanctions and economic pressure, as well as policy and legislative recommendations for Congress.

Section 1 - Trends in Iranian Terror Spending:

From 2012-2018, Iran spent $16 billion propping up the Assad regime and supporting its other terror partners in Syria, Iraq, Yemen, Lebanon, and Palestinian Territories. While this spending decreased from 2019-2020, it has since increased to record highs.

Iranian Support for Hamas:

The regime in Iran has financially and materially supported Hamas since 1992, when Yasser Arafat said Iran had provided Hamas with $30 million. In 1995, CIA Director James Woolsey told Congress that Iran had provided Hamas with $100 million over an unspecified time period.[1]

By 2008, Iran's support to Hamas had soared to as high as $300 million per year while also training up to 6,500 terrorists in IRGC bases in Iran and providing Hamas with rockets, mortars, and explosively formed penetrators (EFPs).[2]

After a 2012-2017 hiatus over disagreements regarding Syrian dictator Bashar al-Assad's slaughter of Muslims, Hamas rebuilt its ties with Tehran and announced that the Iranian regime was once again its "largest backer financially and militarily".[3] In 2018, the State Department disclosed that Iran was providing Palestinian terror groups, including Hamas, with $100 million per year.[4]

Despite the regime's frequent claims that it supports the Palestinian people, the Iranian government only provided the Palestinian people $20,000 in aid via UNWRA from 2008 to 2017, compared to $3 billion in contributions by the United States and almost $2 billion from the European Union during the same period.[5]

In 2019, after the United States reimposed sanctions on Iran, the regime's available funds for terrorism declined and Hamas was forced to institute an "austerity plan". However, in the past year as Iran's oil sales have soared, the regime's financial support to Hamas has increased to $350 million annually.[6] According to recent disclosures by Israeli officials, Hamas now receives over 93 percent of its budget from the Iranian regime.[7]

Hamas' Other Fundraising Avenues:

During the 1990s, independent experts also estimated that between 40-80 percent of Hamas' budget was sourced from private donations in the United States. Starting around 2019, these donations have largely been raised through cryptocurrency.[8] One report cited by the Wall Street Journal suggests that rival terrorist group Palestinian Islamic Jihad raised $93 million between August 2021 and June 2023 while Hamas raised $41 million over a similar time period, [9] but another analysis questioned the magnitude of these numbers.[10] As authorities cracked down on trackable crypto donations in the past several months, , these fundraising avenues appear to have dried up or migrated to more secure channels, but this is an area ripe for continued congressional oversight. .

Other financial support comes indirectly from Qatar, which contributes $30 million per month in stipends intended for poor Gazan families, for fuel to generate electricity, and to pay salaries for public officials working in the public government run by Hamas. These funds had been transferred from Qatar to Israeli officials who oversaw distribution alongside U.S. and UN officials.[11] Further congressional scrutiny of the U.S. oversight role in tracking and accounting for this aid, as well as a thorough multilateral review of the program – in coordination with Israel and Qatar – is merited to ensure Hamas and other terror organizations do not have access to divert and misappropriate these funds.

Hamas also earns an estimated $40 million a month in taxes collected from Gaza residents, allegedly earmarked for Hamas' governing budget.[12] One important mechanism to defund Hamas is to ensure it no longer has control over governing functions of the Gaza Strip or is in any position of responsibility to collect taxes and distribute financial assistance going forward. One lesson learned from the October 7 attack is that there are terrible repercussions for the international community recognizing Hamas – and other terror groups – as legitimate governments. Enriching such groups only fuels their machines of war and terror, and all funds provided will inevitably be used to bite the hand that feeds them.

Iranian Support for Hezbollah:

Prior to the September 11th terrorist attacks, Hezbollah was responsible for more American deaths than any other terror group, including in the 1983 Beirut Barracks Bombing that claimed the lives of 241 U.S. servicemembers, which was funded and directed by the Iranian regime.

In the 1990s and 2000s, Hezbollah received $100-200 million per year from the regime in Iran.[13] In 2016, Hezbollah's leader Hassan Nasrallah declared that Hezbollah had secured all of its funding from Iran, and that "as long as Iran has money, we have money." In 2018, the U.S. Treasury disclosed that Hezbollah had been receiving $700 million per year from the Iranian regime, making up 70 percent of the group's revenue. After the campaign of Maximum Pressure began on Iran in late-2018, the regime was forced to make a dramatic reduction in its financial support, forcing Hezbollah to make draconian cuts to spending, laying off fighters or moving them to reserves without pay, withdrawing troops from Syria, and cancelling most programs on their propaganda channel.[14]

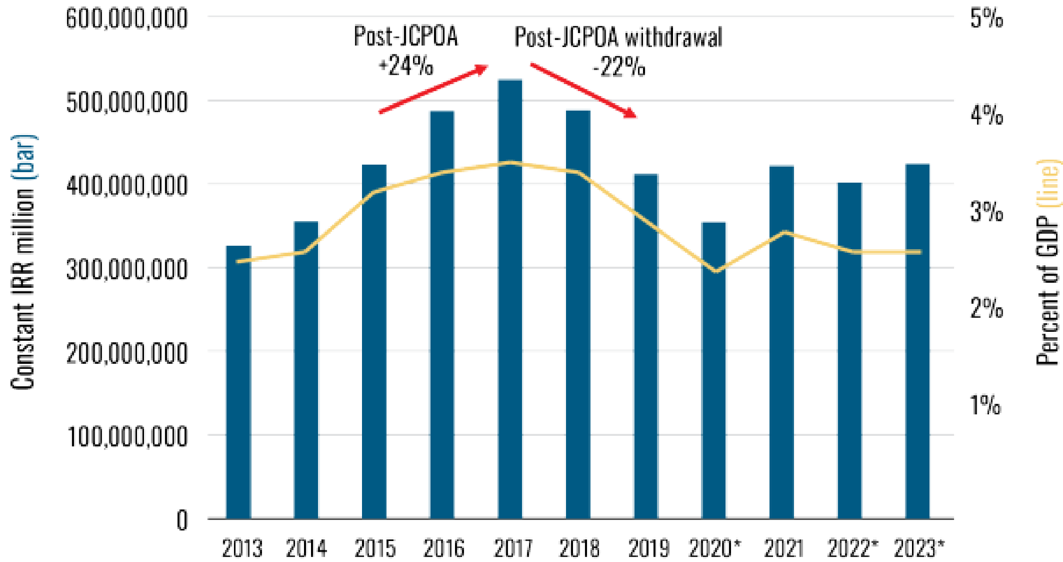
As Iranian funds dried up in 2019, Hezbollah leader Hassan Nasrallah increasingly relied on fundraising appeals from Lebanese citizens, including on radio and TV ads. Additionally, Hezbollah earns large sums through drug smuggling, cigarette smuggling, currency counterfeiting, and arms smuggling – much of which occurs in Latin America.[15] There is scant data for Iran's recent financial support for Hezbollah in the past few years, but Nasrallah continues to regularly thank Tehran for its financial and military support.

Iranian Spending for Military and Terror Programs:

The government of Iran's public military budget has followed similar trends to its external terror budget: military spending soared during and after JCPOA negotiations suspended sanctions on Iran's oil exports. The reimposition of strict oil sanctions from 2018-2020 saw a 22 percent reduction in Iranian military spending from its 2017 high.[16] In the past few years, Iran's on-the-books spending on military, terror, and internal counter-protester security has rebounded slightly while anecdotal evidence suggests that the real increases are far higher. After nationwide domestic protests in November 2019 and the Fall of 2022, the regime has been extremely reticent to admit its prioritization of such spending over subsidies for food, housing, education, infrastructure. Further, most funding for the IRGC and its terror proxies is off-the-books and comes directly from oil sales which are not reflected in official government budgets.

While Iranian and their proxies' attacks on U.S. forces and interests are typically based on immediate strategic needs, opportunities, and perceptions of American willingness to respond, [17] the terror networks personnel, operations, and the weapons they use rely on steady and predictable financial support from the Iranian regime. Lack of funding forces Iranian-backed terror groups to spend enormous political, diplomatic, and operational capital to find alternative sources of support to sustain and advance their terror plans, while pushing the groups to layoff large numbers of their terrorist fighters and personnel. Alternatively, recent increases in Iranian funding to Hamas provided them the opportunity to take advantage of strategic patience in plotting and executing their October 7 attacks.

Figure 3: **Iranian Defense Spending by Year**



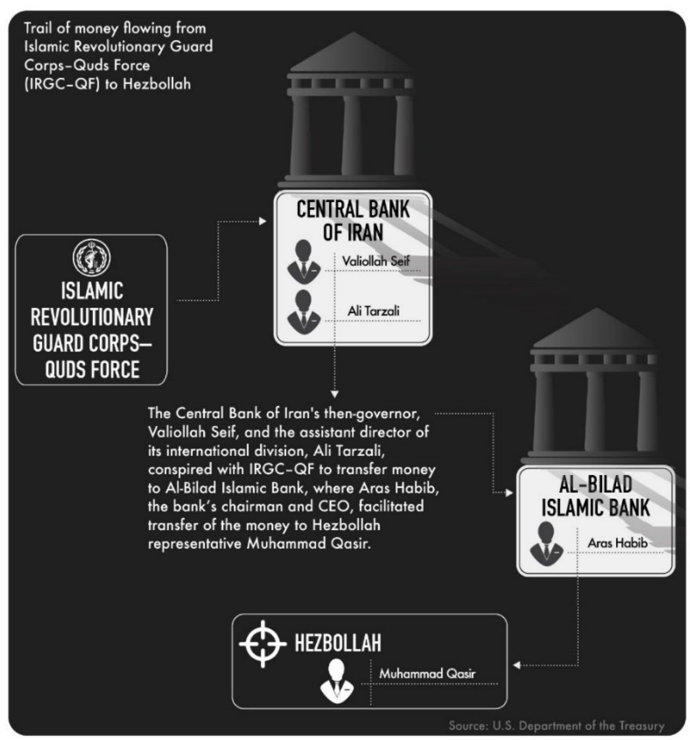
Notes: Data are adjusted for inflation with the IMF's GDP price deflator, with the base year of 2016. All data reflect actual spending, except 2020, 2022, and 2023, which are presented as proposed by the government.
Sources: Iranian national budgets, International Monetary Fund, Washington Institute for Near East Policy.

In the Iranian budget beginning March 2022, the regime increased funding for the IRGC's *Shahid Ebrahimi* program to strengthen the "security infrastructure of the country" by 386%. The budget for the Ministry of Intelligence, responsible for hostage-taking, domestic repression, and foreign intelligence operations, increased by 29.8%. This increase provided for a 326% increase to the *Shahid Shateri* program to purchase intelligence safehouses which double as secret torture sites used to extract confessions from Iranian detainees and political prisoners.[18][19]

Iranian Financial Mechanisms for Funding Terrorism:

The Iranian economic system is designed around the paramount goal of ensuring the regime can divert streams of income to fund terror – to the detriment of all other forms of economic and banking activity in the nation. As former U.S. Treasury Secretary Jack Lew told the Senate Foreign Relations Committee on October 18, 2023, during his confirmation hearing to be U.S. ambassador to Israel, "When you're dealing with Iran, you're not dealing with a rational economic player. You're dealing with an evil, malign government that funds its evil and malign activities first."[20]

Iran's terror financing is often conducted directly through the Central Bank of Iran (CBI), which was sanctioned by the U.S. Treasury in September 2019 for its provision of billions of dollars to the Islamic Revolutionary Guard



Corps (IRGC), its Qods [Jerusalem] Force, and its terror proxies Hezbollah, Hamas, and the Houthis. The CBI has transferred large amounts of foreign currency to the IRGC, including from Iraqi payments, a problem discussed more in Section 4 of this testimony.[21] For this reason and many more, no agreements with Iran should ever include the lifting of sanctions on the CBI and its associated funds, as was originally planned in recent negotiations,[22] until the regime completely overhauls its financial practices and support for terrorism – a step the regime is opposed to at the core of its ideology.

This has been most evident when it comes to the regime's opposition to passing the banking reforms needed to be removed from the Financial Action Task Force (FATF)'s blacklist, on which it was placed in 2020. Today, the only two countries on FATF's blacklist are Iran and North Korea for their persistent efforts to fund terrorism, leaving them isolated from the international banking system. Iranian Supreme Leader Khamenei has struck down repeated attempts by parliamentarians to implement the financial reforms required to remove Iran from FATF's blacklist, including the passage and implementation of the Palermo and Terrorist Financing Conventions.

This has been a conscious effort despite the costs to everyday Iranians and the nation's economic growth. In March 2019, the Iranian Ministry of Foreign Affairs Spokesperson admitted that "not joining FATF will undoubtedly make Iran's international trade more difficult and, in some cases impossible. It will make Iran's partners engaged in legal transactions with Iran face serious and costly problems."[23] Nevertheless, members of Khamenei's inner circle have blocked reforms needed to be removed from the FATF blacklist due to the difficulty that would be involved in funding Hamas and Hezbollah should they do so. One Iranian official admitted this in October 2020, "All these transactions and financial transfers are being carried out in a hidden manner. If we join FATF commitments, we will be held accountable before the FATF executive about where the imports came from and where the exports went, and we would have to provide financial details."[24]

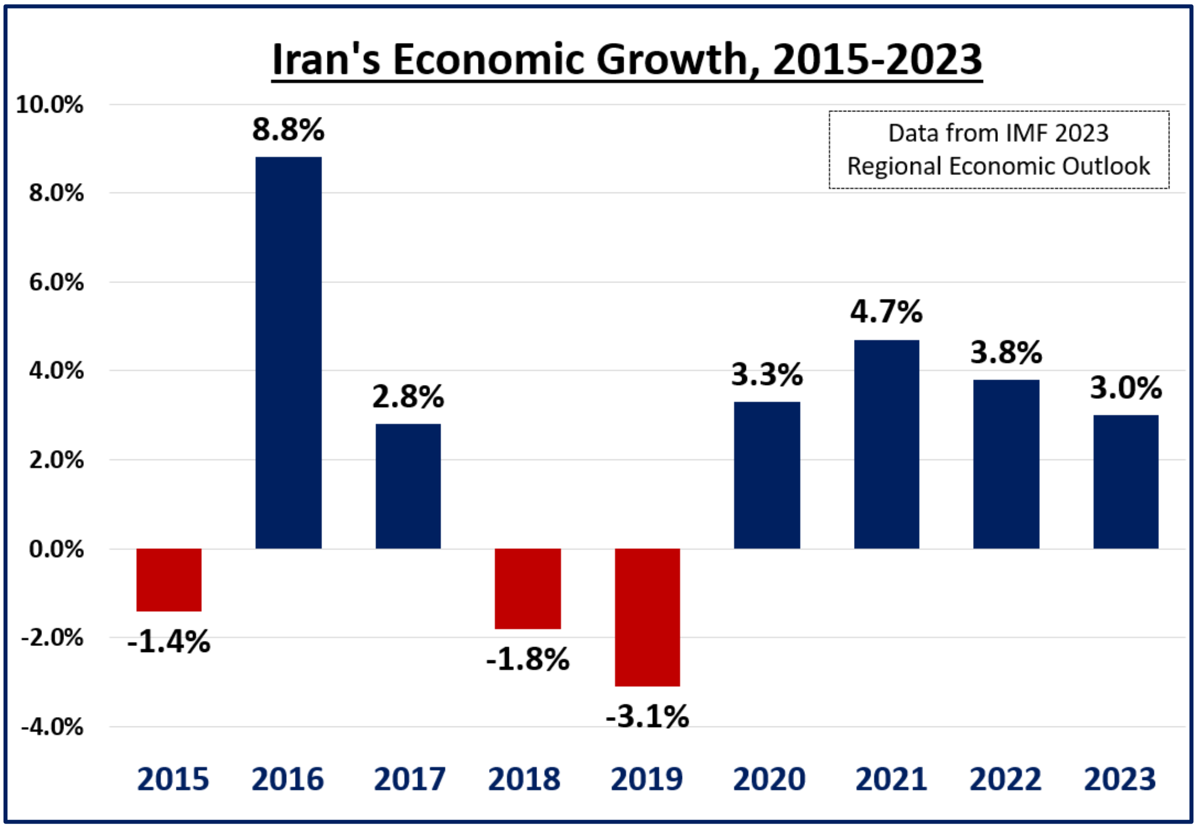
Section 2 - Iran's Economic Strengths and Vulnerabilities:

Iran's lack of financial transparency extends to its economic statistics – negative statistics are often hidden or fudged to attempt and bolster the stability of domestic markets, particularly during periods of political instability. However, the broad trajectory is still clear from IMF, U.S., and Iranian data.

Iran's economy has rebounded significantly since 2020 under reduced economic sanctions enforcement. However, endemic corruption, mismanagement, and prioritization of the regime's terror apparatus have left the regime with major long-term economic vulnerabilities.

The Iranian regime is seeking to isolate itself from U.S. and Western sanctions by deepening economic ties with Russia and China. However, the Russian economy is increasingly competing with the Iranian economy as both nations seek to sell their sanctioned oil to unscrupulous customers seeking to leverage political risk to obtain higher price discounts.

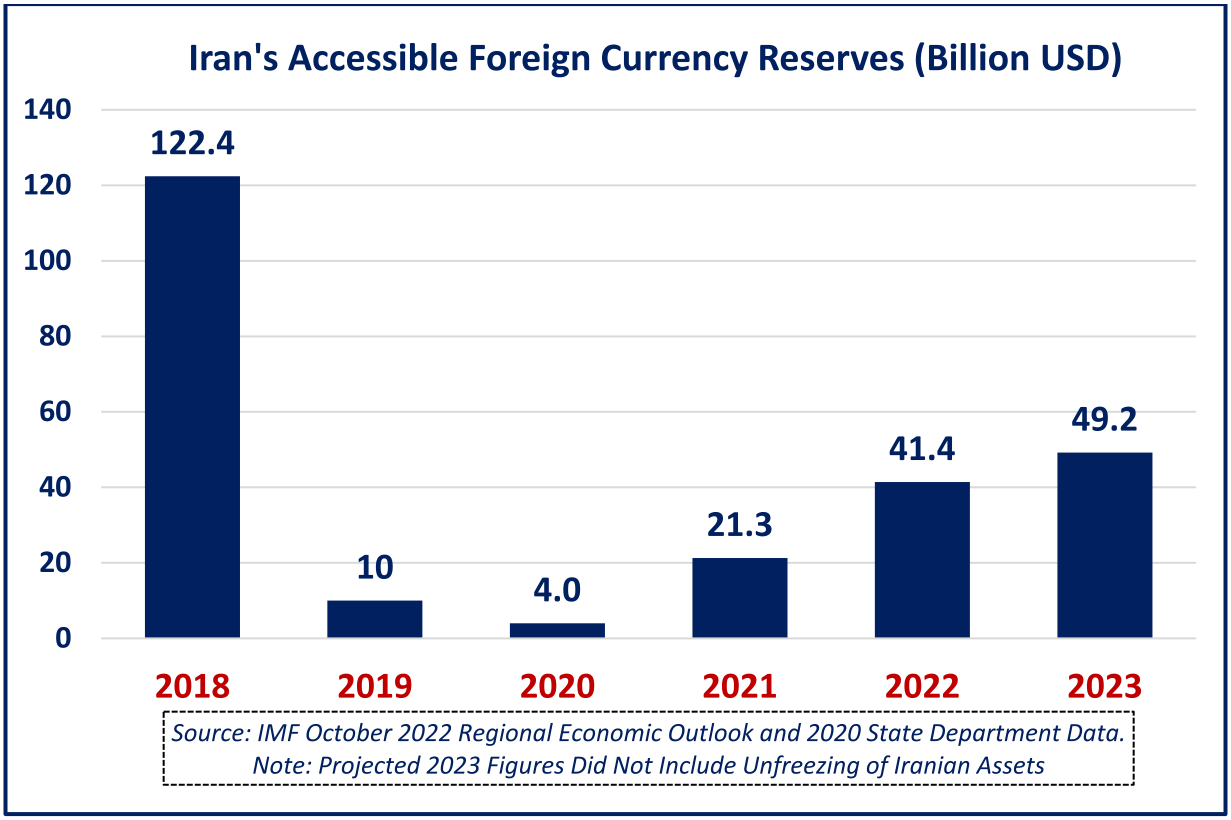
Iranian cooperation with China poses a greater threat to the U.S. sanctions regime as Iran sells oil to "sanctions-proof" entities that are either unconnected to the rest of the international financial system or are connected directly to the People's Bank of China, an entity the United States would be hard-pressed to sanction without completely severing the U.S.-Chinese economic relationship and forcing all nations to choose between business with the United States and with China. However, despite much attention paid to Iran-China relationship and the much-vaunted 20-year trade agreement, non-oil trade is still meager and the announcement of $400 billion in trade continues to appear to be more of a press release than an evidence-based projection.



Foreign Currency Reserves:

Prior to the reimposition of U.S. sanctions in May 2018, Iran had around $122 billion in accessible foreign exchange reserves. Sanctions over the next year froze around $90 billion of these funds, while the regime drew down their other reserves rapidly. In late 2019 and 2020, the Iranian economy was experiencing a severe balance of payments crisis, driven by U.S. sanctions, that impeded its ability to simultaneously purchase equipment and machinery from abroad, to prevent runaway inflation by stabilizing its exchange rate, and to fund its terror proxies with the euros or dollars they desired. This also put a severe transaction cost on all Iranian banking activities as the regime attempted to manage this dilemma.[25]

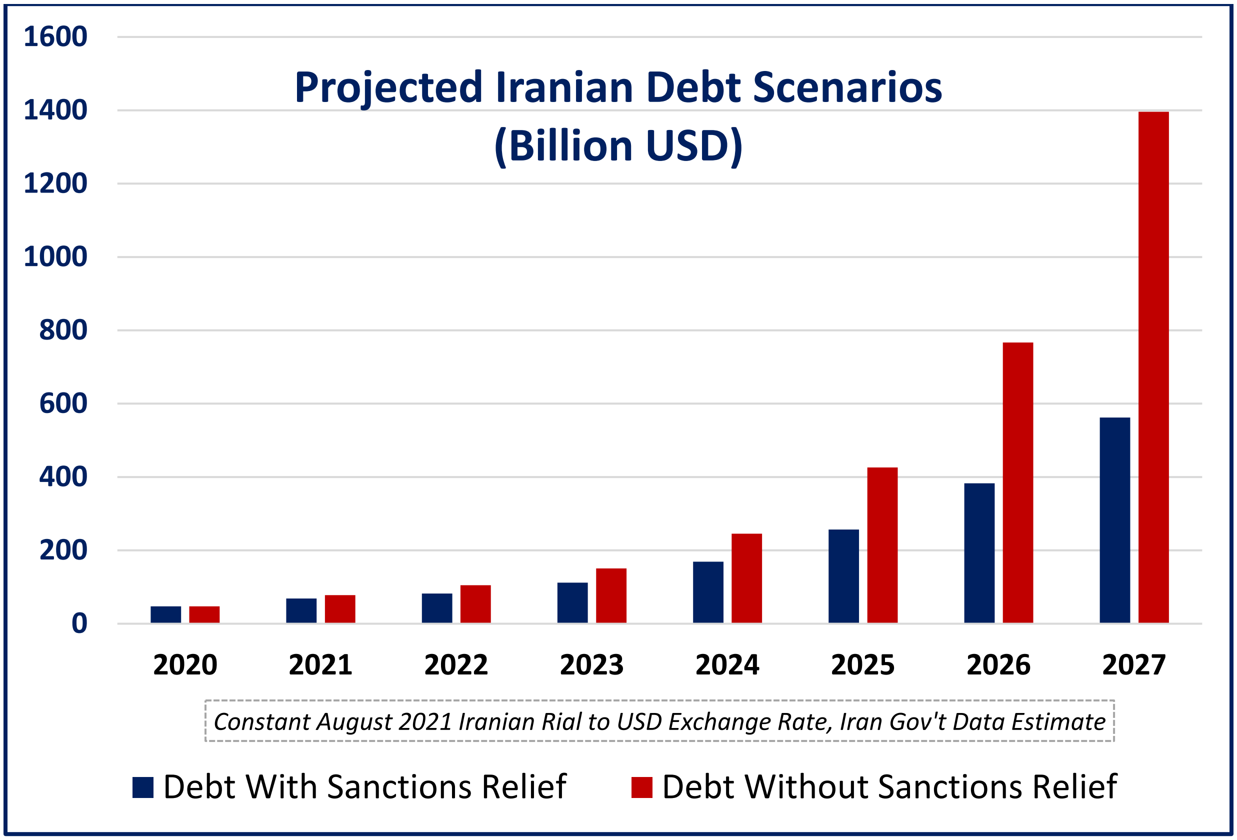
After the relaxation of U.S. sanctions enforcement in 2021, Iran's foreign exchange reserves started to rebound, and the regime's balance of payments crisis has eased significantly. On October 17, 2023, the Deputy Chief of the Central Bank of Iran said that Iran's foreign currency reserves were growing due to the growth of oil and other exports.[26]



Iran's Domestic Economic Challenges: Debt, Inflation, Unemployment

While Iran's short-term economic prospects and military spending have rebounded due to an influx of oil and other foreign funds (see Section 3), its long-term economic situation remains fragile due to economic mismanagement, deep corruption, and demographic factors that compound pension shortfalls. Iranian government economists have warned regime leadership that reimposition of severe economic sanctions with strict enforcement could lead to disastrous consequences.

At the end of 2021, Iranian government debt stood at $68 billion. But a leaked Iranian planning and budget document from August 2021 revealed two scenarios for their debt trajectory: with sanctions relief, debt could increase to $561 billion by 2027. But without sanctions relief, that debt could soar to $1.394 trillion by 2027.[27] Other concerns and signs of domestic weakness are persistent inflation that hovers between 42-58 percent and a youth unemployment rate of 26 percent.[28]



Recommendation: Congress should require the Executive Branch to regularly and publicly report updated figures of the regime's terror financing in order to promote transparency and to increase pressure from the Iranian public on the regime's misguided budgetary priorities. The regime often goes to great lengths to hide details of its financial support for proxy groups because the Iranian people frequently protest and take great offense at the regime's prioritization of foreign adventurism over providing for their basic needs of the people.

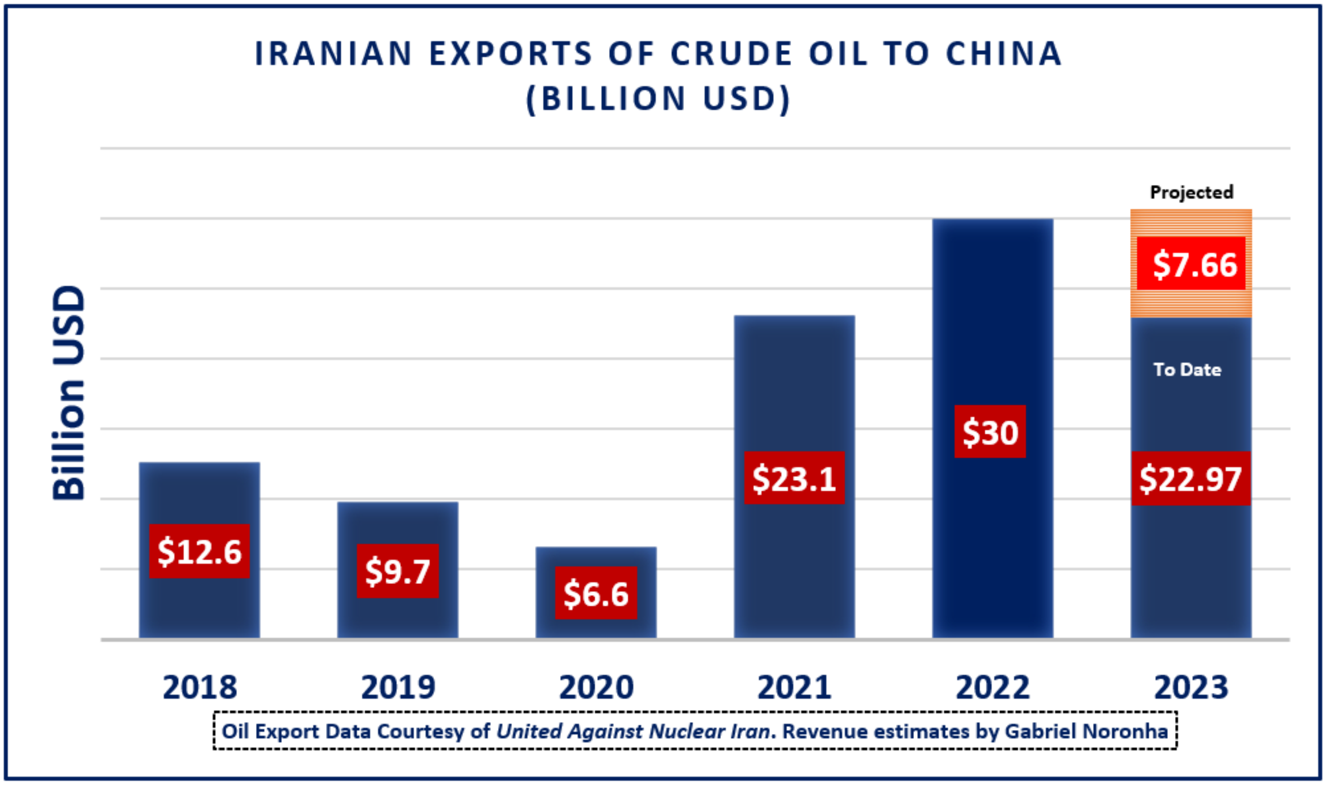
Section 3 - Recent Inflow of Funds to Iran:

Increases in Iranian Oil Exports:

In line with Iranian budgeting practices, most Iranian oil revenue goes directly to the accounts of the IRGC and the regime's revolutionary and terror activities. The National Iran Oil Company, National Iran Tanker Company, and Ministry of Petroleum, which are the primary organizations responsible for Iran's oil trade were all sanctioned by the U.S. Treasury for supporting the IRGC's terrorism in October 2020.[29]

From 2016-2018 after U.S. and international sanctions were lifted, Iran typically exported between 2.0-2.5 million barrels per day (bpd) of crude oil. After the U.S. oil sanctions were fully reimposed in May 2019, Iranian oil exports fell as low as 300,000 bpd, though settled closer to 600,000 bpd in 2020 as China increased their imports. This export volume has steadily increased over the past three years, and Iran was exporting between 1.5-1.8 million bpd of crude oil in August 2023.[30] At market prices, this would yield roughly $150 million per day in oil revenue for the regime. However, due to its sanctioned status, Iran prices its crude exports at a discount of around $8-10 per barrel.

The difference in Iranian revenue is a function both of export volume and global price. Due in part to increased U.S. oil production that peaked in December 2019, depressed global demand during COVID, and aggressive sanctions enforcement against Chinese importers and Iran's fleet of tankers, Iran's sale of oil in 2020 reached a record low of around $6.6 billion. In 2022, China bought an estimated $30 billion and is set to purchase even more in 2023.



Recommendations: There are three main public avenues to disrupt Iranian oil sales and lower the regime's revenue. **1)** Congress should force the Executive Branch to enforce existing oil sanctions against shipping companies, tankers, ports, and all individuals and entities engaging in illicit Iranian trade. Congress should strengthen the current sanctions architecture where the Executive Branch has discretion on enforcement to a mandatory system. Waivers of these sanctions in every case should require the affirmative consent from the leadership of relevant Congressional committees – similar to how committee leadership can issue "holds" on various executive branch actions. There should be particular focus on sanctioning Iran's 'ghost fleet' of 300+ tankers illicitly carrying Iranian oil which have not been sanctioned; **2)** The United States should apply economic, regulatory, and diplomatic pressure to the People's Republic of China to force them to reduce imports of Iranian oil – including as part of broader bilateral trade and diplomatic negotiations; and **3)** The United States should work to lower the global price of oil by increasing domestic production through deregulation and aggressive permitting for drilling, while working with strategically-aligned OPEC producers like Saudi Arabia to increase their production.

September 2023 Hostage Payment

On September 18, 2023, the Iranian regime released five innocent Iranian-American hostages in exchange for the United States pardoning five Iranian and Iranian-American prisoners convicted (through due legal process) of violating U.S. laws in helping the regime evade sanctions, obtain components for its WMD program, and spread pro-Iranian propaganda.[31] Additionally, the United States completed the transfer of $6 billion from South Korean banks to two Qatari bank accounts accessible through request by six Iranian banks previously sanctioned in October 2020.[32]

The origin of the $6 billion funds has been subject to a great deal of obfuscation. Section 1245 of the FY2012 National Defense Authorization Act, approved by large bipartisan margins and signed into law by President Obama, mandated a process for reducing Iran's oil exports by creating mandatory sanctions that applied to foreign countries importing Iranian oil that had not received a "Significant Reduction Exemption (SRE)" waiver from the State Department for their efforts to reduce their imports of Iranian oil. [33]

After President Trump withdrew from the JCPOA in May 2018, a six-month wind-down period was announced to all countries importing Iranian oil. In November 2018, eight countries, including South Korea, were given SRE waivers by the Department of State under this Congressionally-mandated process as they had been working to reduce their purchases of Iranian oil – none of the waivers were renewed six months later. The proceeds of oil purchased during this SRE period were placed into special escrow funds. In South Korea's case, these funds were held in *won* currency at South Korean banks. While the FY2012 NDAA provided for certain bilateral trade of these funds in non-sanctioned goods, the South Korean banks sought even more guarantees, while the Iranian regime sought to have even more flexibility in how they used these funds. The Trump Administration's position was that such flexibility should only have been granted if Iran finalized a comprehensive agreement regarding its wide array of malign behavior or significantly improved its behavior, neither of which occurred.

The funds are reportedly restricted for purchase of humanitarian goods including food and medicine. However, as former Treasury Secretary Jack Lew recently told the Senate Foreign Relations Committee: "I can't say that there's no leakage." This leakage could come in three forms: fungibility from Iran diverting funds previously planned to purchase the same goods to terror accounts, falsified invoices and orders, and from end-use abuse of goods purchased – either by providing the food and medicine to the regime's terror and security apparatus or by re-selling them on the black market.

There is ample evidence that the regime plans to engage in all three of these activities to divert the funding away from its intended purpose. The Central Bank of Iran typically allocates its limited foreign exchange reserves months in advance for planned purchases – now it can rely on the funds in Qatar for these purposes and free up its reserves to pay its terror proxies, including Hamas and Hezbollah, in support of their urgent operational requirements to attack Israel. An Iranian lawmaker also said in September that some of the funds would go to the Central Bank of Iran to "cover money already spent".[34] The regime has a long history of falsifying invoices to pretend it is purchasing humanitarian goods, as was revealed in a 2019 Department of Justice lawsuit against Turkish bank Halkbank.[35] There is also rampant smuggling of medicine out of Iran to be resold on Iraqi and Afghan markets – as one example, 19 trucks full of supposedly scarce medicine were impounded in Iraq in 2019.[36] As the former Health Ministry of Iran, Saeed Namaki, said in 2020: "there is a highly complicated network" in government that facilitates the systemic corruption and theft of medical equipment and goods.[37]

Recommendations: Given the regime's responsibility for funding and likely directing Hamas' attack that killed more than 30 Americans and their ongoing kidnapping of around a dozen U.S. citizens, there is absolutely no basis to honor the original hostage agreement. The United States should act quickly to permanently freeze Iran's access to any of the $6 billion in funds. It is insufficient to merely 'pause' this distribution; Iran will ultimately find levers to pressure the United States and Qatar to turn the spigot back on – and will believe this is possible unless the disposition and location of those funds changes. Congress should pass legislation formally revoking the waivers submitted by the State Department on September 11, 2023, and work with the Executive Branch on a long-term home for the funds, such as in the U.S. Victims of State Sponsored Terrorism (USVSST) Fund.

Recent Payments from Iraq

Since 2010, Iran has sold Iraq electricity and natural gas, including to fuel Iraqi power plants in Baghdad and Basra. For the past several years, the United States has provided Iraq a waiver to pay Iran for these goods, but under the assumption that Iraq would start working to decrease its dependence on Iran. This growing independence has failed to materialize in any significant manner, yet the State Department continues to provide the sanctions waivers that provide Iran a lucrative stream of revenue: often a $500 million payment for each 120-day waiver period. However, on June 10, Iraqi officials reported transferring $2.76 billion to Iran.[38] On July 18, 2023, the U.S. Department of State submitted to Congress a 120-day waiver of sanctions under the FY 2012 National Defense Authorization Act (NDAA) that was subsequently used by Iraq to transfer $10 billion – a far larger sum than had previously been transferred – to Omani bank accounts where they could be accessed by Iran for non-sanctioned trade.

On October 12, 2023, the Central Bank of Iran announced that they had gained access to $10 billion of currency resources held in Iraq. Strangely, they noted that it was negotiating for the "procurement of those financial resources via financing in cooperation with China".[39] This should be extremely concerning to Congress and the Biden Administration that the Iranian regime is potentially working with the Chinese government to circumvent these trade accounts, likely to remove restrictions on the use of the funds.

Further, there have been several reports that this provision of sanctions waivers to Iraq for such generous transfers of funds are in fact related to the Biden Administration's prior efforts to negotiate a nuclear deal with the government of Iran.[40] These efforts – including the reported reaching of an "informal understanding" – that extended to the hostage deal were not submitted for congressional review as required under the 2015 Iran Nuclear Agreement Review Act (INARA) (P.L. 114-17). This violation of the law should concern all members of Congress whose rights to review and vote upon such agreements forms an essential part of the Legislative Branch's prerogatives. INARA was a landmark restoration of Congressional powers in national security against an ever-aggrandizing Executive Branch and should not be cast aside lightly.

Recommendations: Congress should conduct rigorous oversight on the U.S. Treasury and State Departments' provision of this waiver to Iraq, including **1)** demanding a thorough plan and timeline for ending these energy waivers to Iraq; **2)** requiring answers surrounding the nature of how and under what legal basis the Iraqi funds came to be transferred to the Omani accounts; **3)** a full accounting for whether the Chinese government is assisting the Iranian regime in accessing these funds and what steps the U.S. government is taking in response; and **4)** requiring all responsive government records into whether the Executive Branch knowingly acted to circumvent Congress' right to review an agreement regarding Iran's nuclear program as required under INARA.

Provision and Conversion of IMF Special Drawing Rights:

The IMF's Special Drawing Rights (SDRs) provide a form of liquidity that can typically be converted into other currencies for use as a foreign currency exchange reserve. In Iran's case, the regime has long sought to be able to convert its SDRs into dollars or euros to advance its financial stability and free up funding to increase support for its terror groups.

As of earlier this year, Iran had 4.8 billion SDRs (worth $6.7 billion USD) in its IMF accounts, of which 1.4 billion SDR ($1.8 billion USD) have aggregated in its accounts over the past decade and a further 3.4 billion SDRs ($4.9 billion USD) was distributed to Iran in the August 2021 IMF global allocation of $650 billion in SDRs.

In April 2022, Secretary of the Treasury Janet Yellen told lawmakers that Iran would not be allowed to convert its SDRs into dollars, and U.S. banking sanctions had prevented other countries from letting Iran convert its SDRs into other currencies.[41] However, there is now serious doubt whether this prohibition remains in place.

On June 1, 2023, the Governor of the Central Bank of Iran claimed that the Iranian government had access to its SDRs and that they could "be utilized promptly and with minimal bureaucratic procedures to help meet economic needs."[42] It should be cautioned that the Iranian Central Bank Governor has a repeated history of exaggerating claims about its imminent access to foreign funds as a way to try to quell its domestic markets.

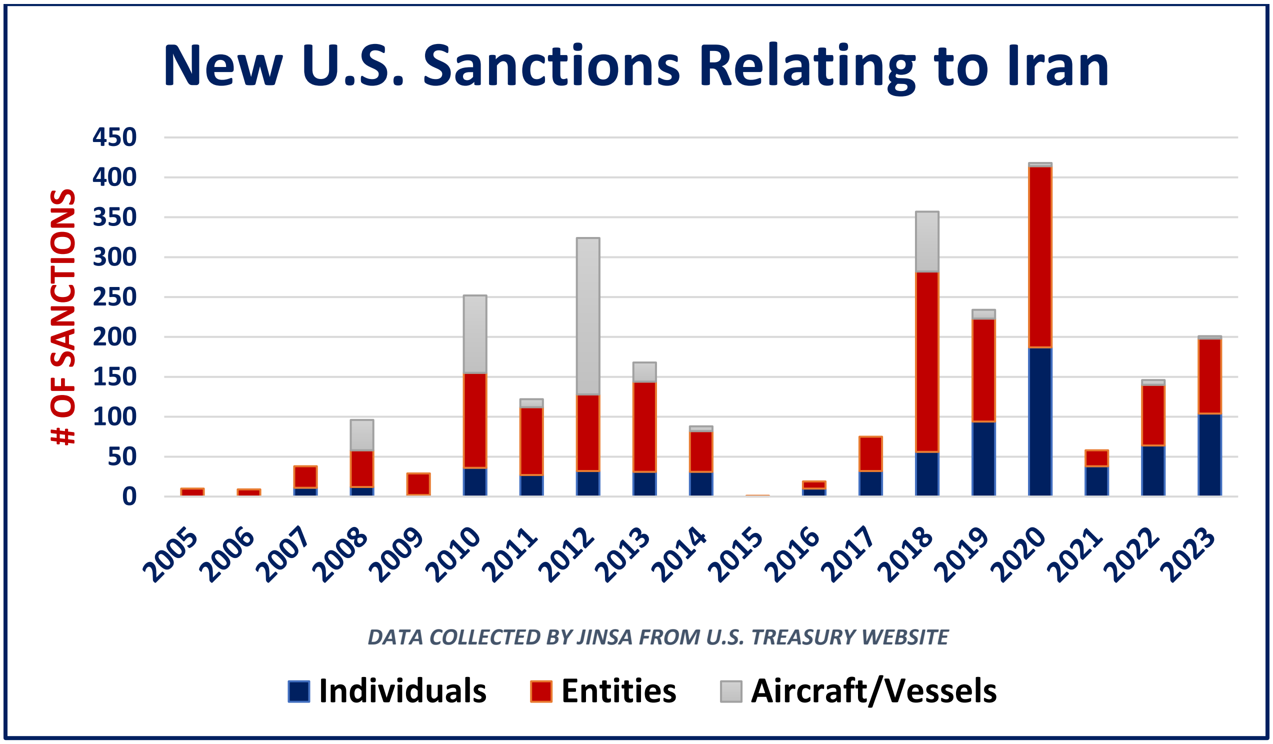
Recommendations: Amid reports this summer of an "informal understanding" regarding Iran's nuclear program, Congress should: **1)** seek clarification from the U.S. Treasury and State Department whether the prohibition on Iran's access to its SDRs remain in place, **2)** codify restrictions on any such conversion, and **3)** strengthen legislation to ensure Iran does not receive further distributions of SDRs in any future allocation rounds, as has previously been directed by Congress in 22 U.S.C. 262p-4q.[43]

Section 4 - U.S. and International Sanctions on Iran:

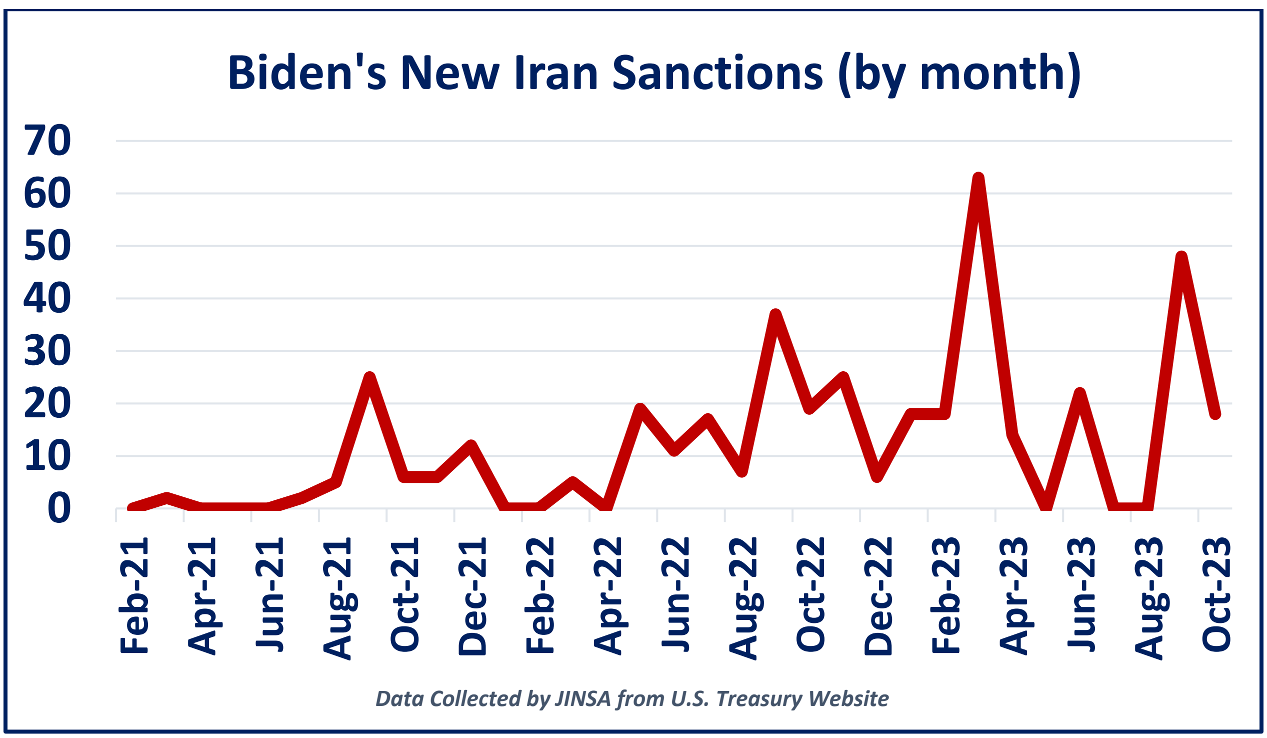
Statistical Review of U.S. Sanctions on Iran

Sanctions are a policy input, not a policy output, and the quantity of sanctions imposed alone does not determine their quality or impact. However, the frequency of sanctions imposed does provide a useful signal for businesses and private actors looking to determine whether the United States is serious about enforcing and advancing the sanctions it has on the books.

Sanctions on Iran steadily increased – bolstered by several sanctions bills passed by Congress during the 2000s and early 2010s - until JCPOA negotiations commenced in 2014. 790 sanctions were dropped during the adoption of the JCPOA in 2015, of which around 481 were re-imposed when the United States withdrew from the deal in 2018.

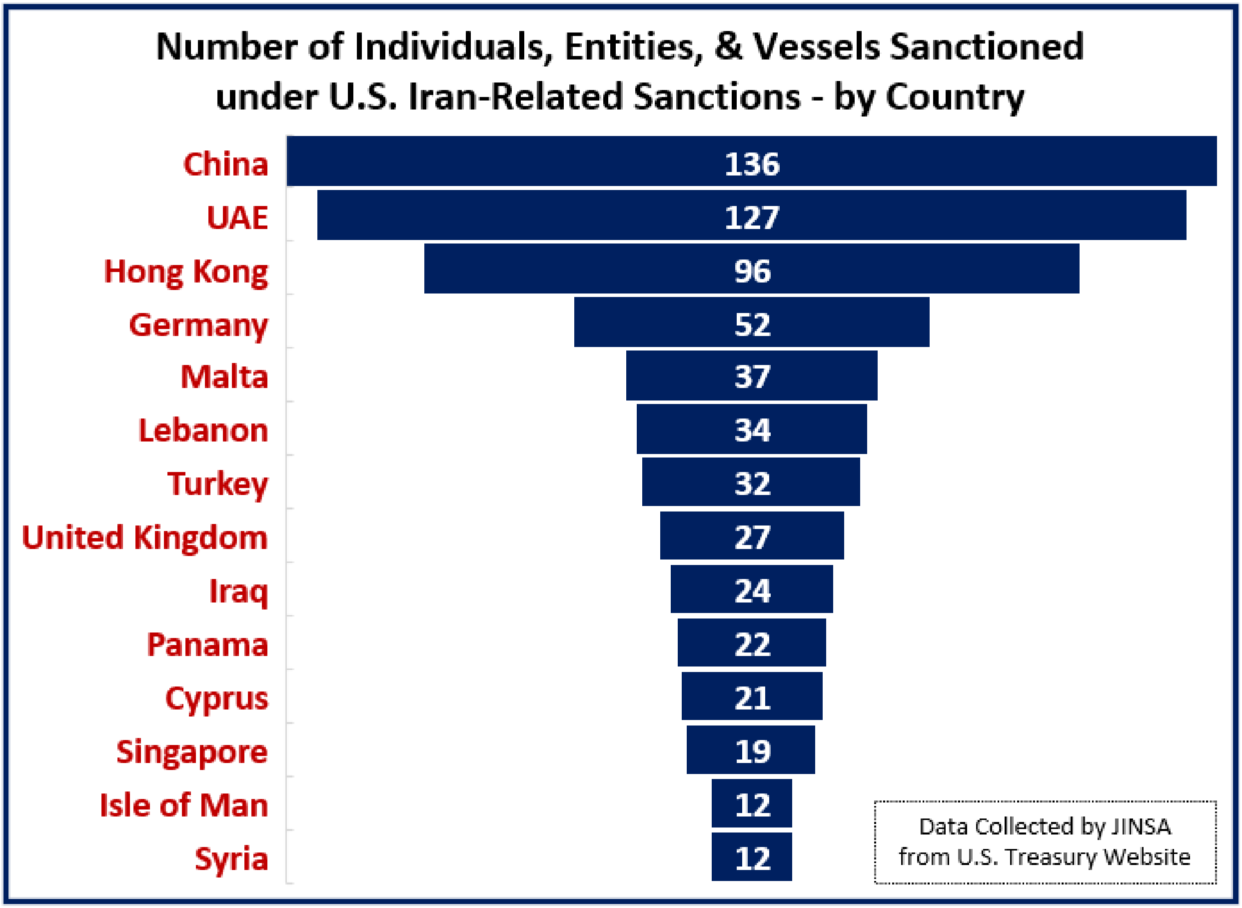


The Biden Administration initially hesitated to enforce or impose new economic sanctions until summer 2022 when it became painfully clear the regime was toying with U.S. negotiators to buy more time to export oil. Since then, there has been solid sanctions enforcement against human rights violators and WMD proliferation – particularly surrounding Iran's UAV program. However, economic sanctions which undergird these activities and Iran's terror program continue to be severely lacking, particularly against Iran's oil exports, its petrochemical and metals industries, and against the massive fleet of tankers and associated companies that ship the regime's products.



The key facilitators of Iran's sanctions evasion are the People's Republic of China (PRC) and Hong Kong (now largely operating along orders from the PRC) through purchases of Iran's oil and provision of proliferation-sensitive goods and equipment. The PRC has provided an economic lifeline to the regime, something that the United States should constantly remind Iran's regional rivals and enemies who too-often are looking to cozy up with Beijing.

The United Arab Emirates (UAE) is next door to Iran and serves as a clearinghouse for all manner of illicit Iranian goods and services. The Biden Administration has largely ignored sanctions evasion in UAE over the past three years, and all manner of tankers and cargo vessels regularly travel between Iranian and Emirati ports without much scrutiny.



Recent Failures to Enforce and Advance Sanctions and Economic Pressure

While oil is the sustaining force of the regime in Iran, other major economic exports include petrochemicals (products derived from petroleum) and metals, including steel, aluminum, copper, and iron.[44] Iran earned approximately $20 billion from the sale of petrochemical products in 2020, and has received approximately $53.8 billion in sales since March 2021, an increase that has not been met with enforcement of relevant sanctions by the U.S. Treasury.[45]

The metals industry is not quite as lucrative, but recent growth has been even more alarming. Iran exported 10.36 million tons of steel in Iranian Fiscal Year (FY) 2019,[46] netting around $3 billion.[47] The Trump administration repeatedly imposed and enforced sanctions on Iran's steel and metals industry in 2020, leading to steel exports dropping to 9 million tons in FY 2020 and only 4.2 million tons in FY 2021. However, no further sanctions against Iran's metals or manufacturing sector have been issued during the Biden Administration. As a result, Iran imported 10 million tons of steel in FY 2022 and Iranian industry reports predicted their steel industry to export 14 million tons in FY 2023.[48]

Recommendations: Congress should mandate the enforcement and expansion of sectoral sanctions against Iran's metals industry and petrochemical industry, as well as require assessments from the Treasury Department on ways to limit revenues from Iran's construction, machinery, technology, and automotive sectors – including through new sanctions and more robust enforcement.

Conclusion:

The regime in Iran is driven by its ideology above all else and will continue its conduct and support for terror as long as it can find funds with which to do so. The regime's terror and attacks against Israeli and American citizens will continue until it faces painful costs that degrade its ability to fund and conduct terror. The United States and Congress must not tolerate the status quo that has enriched and empowered the regime – strong and proactive economic pressure must be restored immediately.

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