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The consequences of international sanctions on Iran trade control system

**Have the imposition of extensive international sanctions led to significant
changes in the trade control system?**

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1- Introduction

The imposition of international sanctions has significantly shaped Iran's trade control system over the past several decades. Initially triggered by geopolitical conflicts and escalated by concerns over Iran's nuclear ambitions, these sanctions have evolved into multifaceted tools employed by the United States, the European Union, and other international bodies to exert pressure on Iran.

Sanctions against Iran began with the 1979 U.S. Embassy seizure in Tehran, leading to an immediate freeze of Iranian assets and a ban on Iranian oil imports. Over the years, the scope of these sanctions expanded, targeting various aspects of Iran's economy, particularly its oil exports, financial system, and access to military and dual-use technologies. The sanctions aimed not only to curtail Iran's nuclear program but also to diminish its support for terrorism and its regional influence. A pivotal shift occurred in the mid-1980s when U.S. sanctions began focusing on limiting Iran's strategic military capabilities. This era saw the implementation of more stringent controls on the export of dual-use items—technologies that have both civilian and military applications—to prevent their diversion for military use. The strategic importance of oil further complicated U.S.-Iran relations, exemplified by the 1987 executive order from President Reagan banning all U.S. imports from Iran in response to Congressional criticism over U.S. oil purchases from Iran.

International sanctions intensified in the 1990s and early 2000s, especially under the United Nations Security Council (UNSC) and the European Union (EU). The UNSC sanctions, beginning with Resolution 1737 in 2006, focused explicitly on Iran's nuclear enrichment activities, imposing restrictions on individuals and entities associated with the program. The EU followed suit with similar measures, progressively expanding its sanctions regime to address broader issues such as human rights violations and regional security threats. EU Council Regulation 428/2009¹ marked a significant step in enhancing the control over dual-use items, reflecting the EU's commitment to preventing the proliferation of weapons of mass destruction. By imposing strict licensing requirements for the export of these items, the EU aimed to mitigate the risk of them being used

¹ Council Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items (recast), *OJ L 134*, 29.5.2009, p. 1–269

to enhance military capabilities in destabilized regions, including Iran. The sanctions regime took another critical turn with the EU's decision on 26 July 2010², which introduced measures that went beyond the UN's mandates. This decision included comprehensive restrictions on trade between EU member states and Iran, highlighting a strategic shift to exert maximum economic pressure on Iran by targeting its overall trade and economic relations.

The consequences of these sanctions on Iran's trade control system have been profound. Iran's trade regime, governed by a complex framework of laws, regulations, and institutional oversight, has had to adapt continuously to the evolving landscape of international restrictions. The sanctions have led to the development of sophisticated systems for managing imports and exports, such as the Comprehensive Customs System (CCS) and the Integrated Forex Transactions System (NIMA). These systems aim to ensure compliance with international standards while managing the flow of goods and foreign exchange within the constraints imposed by sanctions.

Moreover, specific regulations for sensitive goods, such as pharmaceuticals, food items, and dual-use technologies, have become increasingly stringent, necessitating comprehensive documentation and adherence to international standards. Iran's regulatory bodies, including the Food and Drug Administration (FDA) and the Ministry of Industry, Mines, and Trade, play critical roles in enforcing these standards to safeguard public health and national security.

In summary, international sanctions have significantly impacted Iran's trade control system, compelling it to develop mechanisms for managing trade under severe restrictions. These measures have shaped Iran's economic policies, prioritizing the import of essential goods, ensuring compliance with international regulations, and fostering a degree of self-reliance in the face of ongoing external pressures. The dynamic interplay between sanctions and Iran's trade policies continues to influence the country's economic landscape and its interactions with the global community.

² EU Council Decision 2010/413/CFSP of 26 July 2010 Concerning Restrictive Measures against Iran and Repealing Common Position 2007/140/CFSP, *OJ L 195*, 27.7.2010, p. 39–73

2- Methodology

My research methodology begins with a literature review, a crucial step for gaining a comprehensive understanding of existing knowledge and identifying research gaps related to the dissertation topic. This involves reviewing scholarly articles, books, and other relevant sources to pinpoint key theories, methodologies, and findings pertinent to the research question. By synthesizing and critically evaluating this literature, a robust framework can be established, and research objectives can be refined.

The first chapter of my research provides a comprehensive analysis of the international sanctions imposed on Iran. In this chapter, the sanctions are categorized into three main groups: U.S. sanctions against Iran, United Nations Security Council resolutions, and European Union sanctions against Iran. Given the nature of international sanctions against Iran, examining documents published by European Union institutions, the U.S. Department of State, and United Nations Security Council resolutions will contribute to a more comprehensive understanding of these sanctions.

Upon a comprehensive review of the existing literature on international sanctions, it has become clear that one critical aspect remains underexplored: the impact of these sanctions on the development and restructuring of Iran's trade system. The majority of the current literature is predominantly centered on the role of international trade control regimes and the strategic use of sanctions as instruments to compel Iran to alter its political behavior. This body of work typically addresses the broader economic consequences of sanctions on Iran and the resultant pressure exerted on the Iranian government to induce policy changes. However, the specific effects of sanctions on the internal dynamics and structural evolution of Iran's trade system have not been thoroughly examined, highlighting a significant gap in the research that warrants further investigation. Therefore, in the effort to examine the impact of international sanctions on Iran's trade control system, we face the significant challenge of the lack of credible academic articles in this area. The existing literature related to Iran mainly consists of gray literature, which primarily includes white papers, official statements, and policy documents issued by Iranian government organizations. These sources serve as key resources for understanding Iran's approach and response to international sanctions that affect its trade control systems, and as a result, they are

essential for conducting this research. These documents articulate Iran's official positions, policies, and legislative structures aimed at managing and alleviating the impacts of sanctions on its economic and trade activities. They offer valuable insights into Iran's strategies for adjusting regulatory and operational frameworks to align with international sanctions while protecting its national interests. The methodological approach primarily utilizes qualitative methods, encompassing the analysis of documents, official and unofficial statements, and legal frameworks, as previously mentioned. It is worth noting that access to official Iranian government websites is not possible with an IP address outside of Iran. Therefore, during my trip to Iran, I was able to access these resources.

As Ferhat Çalışkan³ states in his research, U.S. sanctions against Iran, particularly post-1979, became central to addressing threats like nuclear ambitions and terrorism, playing a controversial yet crucial role in shaping U.S.-Iran relations and regional stability.

According to Sasan Fayazmanesh's analysis⁴, in "The Politics of the U.S. Economic Sanctions Against Iran," U.S. sanctions on Iran have evolved significantly since the 1979 Revolution. The analysis explores key events such as the freeze of Iranian assets, the dual containment policy, and the influence of Israel on U.S. policy. Fayazmanesh highlights how these sanctions, initially aimed at protecting American interests, became a complex and often inconsistent component of U.S. foreign policy, driven by conflicting interests between U.S. corporations and Israel. The paper underscores the intricate interplay of domestic and international factors in shaping U.S. policy toward Iran.

In examining efforts to change Iran's behavior, Albarasneh, A. S., & Khatib, D. K.⁵ examines factors shaping U.S. policy toward Iran under Obama and Trump, highlighting America's long-term objectives and tactics. Despite a consistent strategy by both administrations, deeply rooted challenges in U.S.-Iran relations persisted, limiting the impact on changing Iran's behavior and improving bilateral relations. Regarding efforts to change Iran's behavior, Albarasneh, A. S., &

³ Çalışkan, F., & Giordano, F. (2011). UNITED STATES' FOREIGN POLICY TOWARD IRAN: SANCTIONS. *NAVAL POSTGRADUATE SCHOOL, MONTEREY, CALIFORNIA*

⁴ Fayazmanesh, S. (2003). The politics of the U.S. economic sanctions against Iran. *Review of Radical Political Economics*, 35(3), 221-240. <https://doi.org/10.1177/0486613403254535>

⁵ Albarasneh, A. S., & Khatib, D. K. (2019). The US policy of containing Iran – from Obama to Trump 2009–2018. *Global Affairs*, 5(4–5), 369–387. <https://doi.org/10.1080/23340460.2019.1701951>

Khatib, D. K. examine the factors shaping U.S. policy toward Iran during the Obama and Trump administrations. They highlight America's long-term objectives and tactics. Despite a consistent strategy by both administrations, deeply rooted challenges in U.S.-Iran relations persisted, limiting the effectiveness of these strategies in altering Iran's behavior and improving bilateral relations. Kenneth Katzman⁶, in his report on Iran sanctions, provides a comprehensive analysis of the evolution and impact of U.S. sanctions on Iran, emphasizing their role in U.S. policy since 1979. The sanctions have targeted key areas such as Iran's energy sector, financial system, and regional activities, significantly harming its economy, though with limited success in changing Iran's regional behavior. The report also examines the Joint Comprehensive Plan of Action (JCPOA), including the relief it provided and the subsequent re-imposition of sanctions under the Trump administration. Katzman highlights the ongoing challenges of using sanctions to influence Iran's actions, noting that while they have caused economic difficulties, they have not fundamentally altered Iran's strategic policies. Additionally, the report discusses the broader international response, including efforts by the European Union and other countries to continue economic engagement with Iran despite U.S. pressure. These sources offer detailed insights into the policies, enforcement measures, and impacts of sanctions, providing a broader context for evaluating their effects on Iran's trade control system.

In relation to the EU's restrictive measures against Iran, Helwig, N., Jokela, J., and Portela, C., in their work "Sharpening EU Sanctions Policy: Challenges and Responses in a Geopolitical Era,"⁷ analyze the EU's evolving sanctions policy amidst recent geopolitical shifts. They emphasize the EU's increasing reliance on sanctions within its Common Foreign and Security Policy, particularly in response to challenges from countries like Iran and Russia. The authors discuss the impact of differing sanctions policies between the EU and the U.S., especially during the Trump administration, and consider the effects of Brexit on EU sanctions. They also call for the EU to improve its sanctions decision-making and enforcement processes, address the extraterritorial

⁶ Katzman, K. (2019). *Iran sanctions* (RS20871). Congressional Research Service. Retrieved from <https://www.crs.gov>

⁷ Helwig, N., Jokela, J., & Portela, C. (Eds.). (2020). *Sharpening EU sanctions policy: Challenges and responses in a geopolitical era*. Finnish Institute of International Affairs jointly with ETLA Economic Research. The project was part of the implementation of the Government Plan for Analysis, Assessment and Research for 2019.

impacts of U.S. sanctions, and seek greater cohesion in its approach to sanctions to adapt to the changing global environment.

3- International sanctions

International sanctions against Iran have been systematically implemented over several decades by key global actors, including the United Nations, the United States, and the European Union. These sanctions primarily focus on restricting Iran's nuclear program, with the aim of preventing the development of nuclear weapons, as well as curbing its support for terrorism and other destabilizing activities in the region. The sanctions encompass a broad range of measures, including economic restrictions, financial sanctions, arms embargoes, and trade limitations, particularly targeting critical sectors such as energy and banking.

The impact of these sanctions on Iran has been profound, resulting in significant economic challenges, including a sharp decline in oil exports, high inflation, and restricted access to international financial systems. Despite these pressures, Iran has demonstrated considerable resilience, often finding ways to circumvent the restrictions or mitigate their effects through domestic policy adjustments and the pursuit of alternative international partnerships. Sanctions have been a cornerstone of international strategies to influence Iran's policies and behavior.

3-1 US sanctions

For over three decades, sanctions have been a cornerstone of U.S. policy towards Iran. The initial sanctions were imposed by Washington in response to the 1979 seizure of the U.S. Embassy in Tehran. These sanctions were subsequently lifted following the release of the hostages in 1981. However, beginning in 1984, embargos were gradually reimposed, initially due to Iran's sponsorship of terrorism. Concerns regarding Iran's ambitions to acquire weapons of mass destruction further justified the reimplementation and expansion of these sanctions. These measures have profoundly influenced the geopolitical and economic landscape of U.S.-Iran relations, underscoring the enduring tension and strategic rivalry between the two nations.⁸

⁸ Clawson, P. (2010). US sanctions. *The Iran primer: power, politics, and US policy*, 115-118.

The objectives and targets of U.S. sanctions against Iran have constantly evolved over time. In the mid-1980s, U.S. sanctions aimed to compel Iran to stop supporting terrorist activities and to limit Iran's strategic ambitions as a regional power in the Middle East. In the following decades, these objectives shifted, and the sanctions increasingly focused on Iran's nuclear program.

While multilateral sanctions are widely regarded as the most effective means of exerting international pressure, the role of U.S. sanctions has been more contentious. During the 1990s, U.S. sanctions were frequently criticized for their unilateral nature. Nevertheless, these actions by the United States eventually facilitated a broader international consensus, culminating in a series of United Nations sanctions beginning in 2007 and European Union actions commencing in 2010. Following 2005, the United States significantly escalated its enforcement of sanctions and adopted measures to limit access to the U.S. financial system, which had considerable repercussions.

Five major rounds of sanctions have been imposed on Iran, spanning five different U.S. administrations. Each round of sanctions has been a direct response to various actions taken by Iran.

3-1-1 The Carter administration

In the aftermath of the 1979 Islamic Revolution, the United States initially refrained from imposing sanctions on Iran. It was not until nine months later, following the seizure of the U.S. Embassy in Tehran, that Washington instituted its first round of sanctions.

The students seized the embassy and took 66 American diplomats and citizens hostage. They held the hostages captive for 444 days. The hostage crisis became a major international news story and a source of great tension between the US and Iran. In response to the 1979 Iranian hostage crisis, the US unleashed a barrage of economic sanctions, including an asset freeze and an oil import ban, aiming to pressure Iran into releasing the hostages and signaling its disapproval of the newly established Islamic regime.

President Carter implemented a progressively stringent series of sanctions on Iran, starting with a ban on Iranian oil imports. This was soon followed by the freezing of \$12 billion in Iranian government assets held in the United States. In April 1980, the administration expanded these measures by imposing a comprehensive embargo on U.S. trade with Iran and restricting travel to

Iran. These sanctions were lifted in early 1981 following the resolution of the crisis under the Algiers Agreement.

The Algiers Agreement was a pivotal diplomatic accord that facilitated the resolution of the Iranian hostage crisis. Negotiated by Algeria and signed by the United States and Iran on January 20, 1981, the agreement stipulated the release of American hostages in exchange for the lifting of U.S. economic sanctions on Iran and the unfreezing of Iranian assets held in U.S. banks.

On the same day the agreement was signed, the hostages were released, marking the end of the immediate crisis. However, the U.S. did not fully lift all sanctions on Iran until later in 1981. While the Algiers Agreement successfully addressed the immediate hostage situation, it did not resolve the broader and more complex underlying issues between the United States and Iran. These unresolved issues continue to affect the bilateral relationship, contributing to ongoing tensions and distrust between the two nations.

This pivotal event not only strained diplomatic ties but also marked the genesis of a comprehensive U.S. sanctions regime directed towards Iran. The initial sanctions, implemented in response to the hostage crisis, laid the groundwork for a policy that would evolve and expand over subsequent decades. These sanctions encompassed a range of economic and financial restrictions aimed at curbing Iran's economic capabilities and political influence on the global stage.

The crisis itself signified a dramatic shift in the relationship between the two nations, effectively severing the previously established order. Prior to this, the U.S. and Iran had maintained a relatively cooperative and mutually beneficial relationship, especially during the reign of the Shah. However, the hostage crisis, marked by the capture of American diplomats and citizens, shattered this framework of cooperation.⁹

This incident ushered in a new era characterized by deep-seated suspicion and animosity. The prolonged detention of American hostages not only outraged the American public and government but also led to a significant reevaluation of U.S. foreign policy in the Middle East. The resulting sanctions regime became a cornerstone of this new policy approach, aiming to isolate Iran economically and diplomatically.

⁹ Fayazmanesh, S. (2003). The politics of U.S. economic sanctions against Iran. *Review of Radical Political Economics*, 35(3), 221-240. <https://doi.org/10.1177/0486613403254535>

In the decades that followed, the U.S. sanctions regime expanded in scope and complexity, incorporating measures targeting various sectors of the Iranian economy, including its oil exports, banking system, and military capabilities. These sanctions were periodically intensified in response to Iran's actions, such as its nuclear program and regional interventions, further entrenching the adversarial nature of the relationship.

The hostage crisis was a catalyst for a profound and lasting transformation in U.S.-Iran relations. It not only prompted the establishment of an extensive sanctions regime but also entrenched a dynamic of enmity and confrontation that has shaped the geopolitical interactions between the two countries for decades. The 1979 US sanctions against Iran marked the genesis of a long-standing pattern of economic sanctions as a cornerstone of US foreign policy towards Iran, aimed at curbing its behavior and influencing its domestic and international policies.¹⁰

3-1-2 The Reagan administration

The tragic 1983 bombing of U.S. Marine peacekeepers in Lebanon, which resulted in significant American casualties, marked a pivotal moment in U.S. foreign policy towards Iran. This attack highlighted the growing threat of terrorism linked to Iranian-backed groups and added to the U.S.'s long-standing concerns about Iran's influence in the region. In response to this devastating attack, Washington implemented a series of stringent restrictions aimed at curbing Iran's economic and military capabilities. One of the immediate actions taken by the U.S. was to oppose World Bank loans to Iran, effectively limiting Iran's access to international financial resources that could have been used to bolster its economy or fund military operations.¹¹

During the Iran-Iraq War in the 1980s, the U.S. heightened its efforts to curb Iran's military capabilities by imposing stricter controls on the export of dual-use items. These items, which include various technologies and equipment, could potentially bolster Iran's military endeavors. Meanwhile, the strategic role of oil in U.S.-Iran relations became particularly pronounced. In 1987, Congressional criticism of U.S. oil purchases from Iran for the Strategic Petroleum Reserve, a vital national asset, underscored contradictions in U.S. policy which both isolated and financially engaged Iran. This tension led President Ronald Reagan to issue an executive order banning all

¹⁰ Hewitt, K., & Nephew, R. (2019, March 12). How the Iran hostage crisis shaped the U.S. approach to sanctions. Brookings. <https://www.brookings.edu/articles/how-the-iran-hostage-crisis-shaped-the-us-approach-to-sanctions/#:~:text=Sanctions%20were%20selected%20because%20they,includin%20military%20force%2C%20if%20needed>

¹¹ Clawson, P. (2010). US sanctions. *The Iran primer: power, politics, and US policy*, 115-118.

U.S. imports from Iran, significantly intensifying the sanctions regime to restrict Iran's economic and military capacities.

The 1987 import ban had profound implications for U.S.-Iran relations. It not only deepened the economic isolation of Iran but also signaled a hardening of U.S. policy towards the Iranian regime. This period marked the beginning of a more aggressive sanctions strategy that would continue to evolve in the subsequent decades, encompassing various sectors of the Iranian economy, including its critical oil exports.

The sanctions imposed during this era reflected a broader strategy of containment, aimed at mitigating the perceived threats posed by Iran's regional ambitions and its support for militant groups. These measures were part of a larger framework of U.S. foreign policy that sought to use economic leverage to achieve geopolitical objectives. The aftermath of the 1983 Lebanon bombing and the subsequent U.S. actions highlighted the increasing complexity and intensity of U.S.-Iran relations. The imposition of restrictions on World Bank loans, the tightening of dual-use export controls, and the comprehensive import ban of 1987 were strategic measures aimed at weakening Iran's economic and military capabilities. These actions underscored the U.S. commitment to countering Iran's influence and marked a significant chapter in the ongoing, adversarial U.S.-Iran relations, characterized by deep-seated mistrust.

3-1-3 The Clinton administration, From Punitive Measures to Comprehensive Sanctions

US sanctions against Iran have undergone a remarkable evolution, from initial punitive measures to multifaceted tools embedded in broader international efforts. While the effectiveness of these sanctions in achieving their objectives remains debated, they have undoubtedly shaped US-Iran relations and the broader geopolitical landscape. As Iran's nuclear program and regional influence continue to be subjects of international concern, the future of US sanctions remains a complex and consequential issue.

In March 1995, following Iran's announcement of a \$1 billion contract with Conoco, a U.S. oil company, to develop selected oil and gas fields, President Clinton banned all U.S. participation in Iranian petroleum development. Two months later, he expanded the sanctions to include a comprehensive trade and investment embargo on Iran. In 1996, Congress decisively passed the Iran and Libya Sanctions Act (ILSA) with the objective of discouraging foreign companies from investing in Iran's oil and gas sector, the primary source of the regime's revenue.

The enactment of ILSA in 1996 stands as a landmark moment in the trajectory of US sanctions policy towards Iran. This comprehensive legislation imposed targeted sanctions on Iran's petroleum industry, aiming to curtail its development and limit its capacity to generate revenue. The act also extended sanctions to Libya, reflecting broader US concerns about both countries' alleged support for terrorism and pursuit of weapons of mass destruction.

Concerns over Iran's pursuit of nuclear weapons and Libya's chemical weapons program prompted the US to take action. ILSA aimed to hinder their ability to acquire materials and technologies necessary for developing weapons of mass destruction. The ILSA of 1996 marked a significant departure from traditional US sanctions approaches, introducing a novel strategy that extended the reach of US sanctions beyond domestic companies to encompass foreign entities engaged in business with sanctioned countries. This shift represented a bold move by the US government, expanding the scope of its sanctions regime and signaling a growing reliance on economic tools to achieve foreign policy objectives. Traditionally, US sanctions have focused on restricting the activities of US companies, prohibiting them from trading with or investing in sanctioned countries. This approach aimed to limit the flow of US capital and resources to these countries, thereby exerting economic pressure. ILSA, in contrast, took a more expansive approach, targeting foreign companies directly involved in business with Iran or Libya. By imposing penalties on these foreign entities, the US sought to deter international cooperation with the sanctioned countries, further isolating them economically.

3-1-4 The Bush administration

Following 2005, the United States enacted a series of executive orders to freeze the assets of entities and individuals purportedly involved in supporting terrorism, destabilizing Iraq, and advancing Iran's nuclear and missile programs. The president's authority in these matters was notably broadened in 2006 through the Iran, North Korea, and Syria Nonproliferation Act. Under the Bush administration, a specialized office within the Treasury Department was established to stringently enforce these sanctions, focusing heavily on Iran. This rigorous enforcement significantly heightened the attention and compliance of private firms with long-standing U.S. regulations that had previously seen minimal enforcement.

Washington has expanded its sanctions regime to include numerous foreign entities, with a particular focus on Chinese and Russian companies that have been identified as aiding Iran's

nuclear and missile programs. These sanctions are part of a broader strategy to curb Iran's ability to develop and enhance its military capabilities. By targeting these foreign firms, the U.S. aims to disrupt the supply chains and financial networks that support Iran's strategic weapon programs.

In addition to imposing sanctions, the U.S. government has taken further measures to enforce compliance and punish violations. A specialized unit was established within the Justice Department dedicated to the vigorous prosecution of individuals and companies involved in the illicit sale of arms and weapons parts to Iran. This unit operates with enhanced authority and resources, reflecting the high priority placed on preventing Iran from acquiring military technology and components through illicit means.

The creation of this unit signifies a proactive and aggressive approach to enforcing U.S. sanctions laws. It coordinates closely with other federal agencies, including the Treasury Department's Office of Foreign Assets Control (OFAC), to investigate and bring charges against those who attempt to circumvent sanctions. By leveraging legal tools and international cooperation, this unit aims to deter future violations and signal to global businesses the severe consequences of engaging in prohibited activities with Iran.

These efforts are part of a comprehensive U.S. strategy to isolate Iran economically and militarily, limiting its ability to threaten regional stability and international security. The sanctions on foreign entities, combined with rigorous legal enforcement, underscore Washington's commitment to using all available means to counter Iran's nuclear and missile ambitions. This multifaceted approach is designed to apply maximum pressure on Iran and its network of international supporters, thereby constraining its strategic capabilities and influencing its behavior on the global stage.

3-1-5 Obama Administraion

The Obama administration not only maintained but significantly intensified the enforcement of sanctions initiated during the late Bush years. Numerous individuals and institutions were sanctioned for a variety of reasons, including human rights abuses, drug trafficking, and proliferation activities. Enforcement was notably rigorous, with U.S. subsidiaries of foreign banks paying over \$14 billion in penalties for violations, particularly those related to Iran.

In June 2010, Congress passed, and President Obama signed, the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA)¹². This legislation targeted the supply of refined petroleum products to Iran by non-U.S. firms. At the time, Iran imported about 30 percent of its refined gasoline due to inadequate domestic refinery capacity. Several major international oil companies ceased supplying refined products to Iran in compliance with CISADA's provisions.

The Iran Threat Reduction and Syria Human Rights Act of 2012¹³ further extended sanctions to include the transportation and insurance sectors related to Iranian oil and authorized sanctions against those engaging in censorship in Iran. Section 1245 of the National Defense Authorization Act for Fiscal Year 2012¹⁴ imposed extensive restrictions on foreign banks dealing with Iran's Central Bank, with waivers available if the bank's home country significantly reduced its oil purchases from Iran every 180 days.

The Iran Freedom and Counter-Proliferation Act of January 2013 expanded the scope of sanctions to include foreign firms involved in trading, transporting, or financing services for Iran's oil and automobile industries, as well as those dealing in precious metals. These measures aimed to further economically isolate Iran and restrict its revenue from key industries.

In November 2013, after reaching a provisional agreement with Iran regarding its nuclear program, the Obama administration temporarily lifted or eased multiple sanctions. A notable change was the decision not to require foreign banks to further reduce oil purchases below the existing level of 1.1 million barrels per day to avoid Section 1245 penalties. This step was crucial in easing economic pressures on Iran in exchange for its nuclear concessions.¹⁵

Overall, the Obama administration's strategy combined stringent enforcement of existing sanctions with new legislative measures to exert maximum economic pressure on Iran. These actions aimed to curtail Iran's nuclear ambitions while addressing broader issues related to human rights and

¹² Bureau of Economic, Energy, and Business Affairs. (2011, May 23). Fact sheet: Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA). U.S. Department of State. <https://2009-2017.state.gov/e/eb/esc/iransanctions/docs/160710.htm>

¹³ Iran Threat Reduction and Syria Human Rights Act of 2012, Pub. L. No. 112-158, 126 Stat. 1214 (2012). https://iranprimer.usip.org/sites/default/files/PDF%20Sanctions_Clawson_US.pdf

¹⁴ Bureau of Economic and Business Affairs. (2012, November 8). Fact sheet: Section 1245 of the National Defense Authorization Act for Fiscal Year 2012. U.S. Department of State. <https://2009-2017.state.gov/e/eb/tfs/spi/iran/fs/200286.htm>

¹⁵ House Foreign Affairs Committee. (n.d.). Agreement section by section. U.S. House of Representatives. Retrieved from https://foreignaffairs.house.gov/files/12_HFAC%20-%20IRAN%20-%20Agreement%20Section%20by%20Section.pdf

regional stability. The administration's policies used economic sanctions as a powerful tool for achieving diplomatic and strategic objectives, significantly shaping the complex and evolving landscape of U.S.-Iran relations.

3-1-6 Trump administraion

The initial tranche of U.S. sanctions on Iran was reinstated on August 2018, as the remaining parties to the nuclear deal committed to maintaining economic ties despite U.S. threats of "severe consequences" for non-compliance. This reinstations of series of sanctions against Iran, intensifying the economic pressure on the nation. These sanctions were part of a broader strategy to curtail Iran's economic capabilities and influence, particularly targeting the country's vital oil sector. The U.S. administration explicitly aimed to reduce Iranian oil exports to zero, thereby severely crippling Iran's primary source of revenue. This aggressive stance included imposing strict penalties on any companies or entities found attempting to circumvent these sanctions.

The international response to these renewed sanctions was significant. The United Nations International Court of Justice (ICJ) intervened, issuing an order for the United States to suspend certain sanctions. This directive was based on the 1955 Treaty of Amity, Economic Relations, and Consular Rights between the U.S. and Iran. The treaty, signed long before the 1979 Islamic Revolution, was invoked by Iran as a legal basis for challenging the U.S. sanctions at the ICJ.¹⁶

The court's decision highlighted the ongoing complexities and legal battles surrounding international sanctions and their enforcement. The ICJ's ruling underscored the enduring relevance of historical treaties in contemporary international relations and the legal frameworks governing state actions. Despite the ICJ's order, the U.S. maintained its stringent stance on sanctions, reflecting a broader geopolitical strategy to isolate Iran economically and diplomatically.

This development marked a critical juncture in U.S.-Iran relations, illustrating the profound impact of economic sanctions on global diplomacy and the legal mechanisms available to challenge such measures. The U.S. administration's efforts to enforce sanctions, coupled with international legal challenges, exemplify the intricate interplay between national policies and international law in the

¹⁶ Tvalchrelidze, A. G., & Tabagari, K. (2019). American new sanction against Iran: Challenges for economic growth. *Iron, steel, 1*, 2-24

realm of economic sanctions. The sanctions were reimposed following President Donald Trump's withdrawal from the Joint Comprehensive Plan of Action (JCPOA) in May. The U.S. provided a 90- to 180-day period for entities to wind down their activities in Iran before the sanctions took full effect. Despite U.S. sanctions, the remaining JCPOA parties—China, France, Germany, Russia, the United Kingdom, and the European Union—pledged to uphold the agreement, provided Iran continues to meet its commitments. German Foreign Minister Heiko Maas warned that U.S. actions could lead to further instability in the Middle East.

The August 7 sanctions target several sectors, including the purchase of U.S. dollars, trade in aluminum, steel, coal, and precious metals, and the automotive sector. Additionally, the Trump administration revoked licenses permitting the import of certain foodstuffs and the export of commercial aircraft parts to Iran.¹⁷

3-2 UNSC Resolutions

The enforcement of UN sanctions relies on their legitimacy and legal foundation. According to Article 39 of the United Nations Charter, the Security Council has the authority to identify any threats to peace, breaches of peace, or acts of aggression. Based on these determinations, the Security Council can make recommendations or decide on the necessary measures to uphold or reestablish international peace and security.¹⁸ Upon determining the existence of a threat, the Security Council, under Article 40, can request the concerned parties to comply with provisional measures it considers necessary or desirable.¹⁹

Since 2006, the UNSC has classified the Iranian nuclear enrichment issue under Chapter VII of the UN Charter, which addresses threats to and breaches of international peace and security. Consequently, Iran has faced Chapter VII sanctions through Resolutions 1737 (2006), 1747 (2007), 1803 (2008), and 1929 (2010). These sanctions targeted individuals allegedly involved in the

¹⁷ Davenport, K. (2018). Trump faces resistance on Iran sanctions. *Arms Control Today*, 48(7), 27-28.

¹⁸ Charter of the United Nations, Article 39.

¹⁹ Charter of the United Nations, Article 40.

nuclear enrichment program and included an arms embargo. Resolution 1737 (2006), specifically invoking Article 41, imposed these sanctions.²⁰

In 2008, the UNSC enacted Resolution 1803²¹, which imposed targeted sanctions mandating that all member States prevent individuals involved in or supporting Iran's proliferation of sensitive nuclear activities and the development of nuclear weapon delivery systems from entering or transiting through their territories. This resolution marked a significant escalation in international efforts to curb Iran's nuclear ambitions.

Subsequently, in 2010, the UNSC adopted Resolution 1929, which further extended these sanctions to encompass the provision of arms to Iran. This broadened the scope of the international community's restrictions, aiming to more comprehensively hinder Iran's capacity to advance its nuclear and military capabilities. Despite the continuous political pressure exerted on Iran following the implementation of Resolution 1929²², the UNSC did not impose additional sanctions due to lack of consensus between member states. The sustained diplomatic efforts and the existing sanctions regime remained the primary tools for addressing the international concerns regarding Iran's nuclear program.²³

3-3 EU Restrictive Measures against Iran

The European Union's sanctions regime against Iran has undergone a significant transformation since its inception. Initially aligned with United Nations Security Council (UNSC) resolutions primarily focused on Iran's nuclear program, the EU's policy framework has expanded considerably. The EU's sanctions now encompass a broader spectrum of concerns, including human rights violations, support for terrorism, and regional security issues. This evolution reflects the EU's desire to tailor its foreign policy instruments to address complex challenges that extend beyond the UNSC mandate.

²⁰ The Council mandated that all States are required to prevent the supply, sale, or transfer to Iran of any items, materials, equipment, goods, and technology that could contribute to Iran's enrichment-related activities, reprocessing, heavy water production, or the development of nuclear weapon delivery systems. This directive is detailed in paragraph 3 of Resolution 1737 (2006), dated December 23, 2006 (U.N. Doc. S/RES/1737).

²¹ 2 S.C. Res. 1803(2008), para 5, U.N. Doc. S/RES/1803 (3 March 2008).

²² Resolution 1929 stipulates that all States must prevent the sale or transfer to Iran of "battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, missiles, or missile systems." This directive is specified in paragraph 8 of Resolution 1929 (2010), dated June 9, 2010 (U.N. Doc S/RES/1929).

²³ Marossi, A., & Bassett, M. (2015). Economic sanctions under international Law. *Unilateralism, Multilateralism, Legitimacy, and Consequences, Den Haag*.

As a result, the EU has gained greater flexibility in responding to the dynamic geopolitical landscape. By decoupling its sanctions strategy from the UNSC, the EU can implement measures that more precisely align with its specific policy objectives. In 2007, the EU Council adopted a Common Position²⁴ that mirrored the UNSC's sanctions regime. This approach represented a concerted effort among the international community to exert pressure on Iran to halt its nuclear activities. By aligning its policy with the UNSC, the EU demonstrated a commitment to multilateralism and international cooperation in addressing global security challenges.

EU Council Regulation 428/2009²⁵ represented a significant enhancement of the European Union's export control framework, with a particular focus on dual-use items. These goods, software, and technology possess both civilian and military applications, rendering them susceptible to diversion for unauthorized purposes.

By imposing stringent licensing requirements for the export of dual-use items, the regulation aimed to mitigate the risk of contributing to weapons of mass destruction (WMD) proliferation and the enhancement of military capabilities in destabilized regions. The regulation mandated a rigorous evaluation of end-users and end-uses, incorporating specific provisions for countries subject to international sanctions or embargoes. This regulatory framework aligned the EU with international non-proliferation efforts and underscored its commitment to responsible trade practices.

A decision made on 26 July 2010²⁶ by the EU Council introduced sanctions against Iran that extended beyond those established by the UN system, covering trade between EU Member States and Iran. This move illustrated a further development in the EU's approach, enhancing its sanctions regime with additional measures specific to its policy objectives and concerns about the situation in Iran.

Trade restrictions against Iran have shifted from their initial focus on halting nuclear enrichment to targeting several sectors of the economy and economic relations between Iran and the EU.

²⁴ EU Council Common Position 2007/140/CFSP of 27 February 2007 Concerning Restrictive Measures against Iran, *OJ L 61*, 28.2.2007, p. 49–55. 5 (replaced by 2010/413/CFSP: Council Decision of 26 July 2010 concerning restrictive measures against Iran and repealing Common Position, *OJ L 195*, 27/07/2010, p. 39–73)

²⁵ Council Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items (recast), *OJ L 134*, 29.5.2009, p. 1–269

²⁶ EU Council Decision 2010/413/CFSP of 26 July 2010 Concerning Restrictive Measures against Iran and Repealing Common Position 2007/140/CFSP, *OJ L 195*, 27.7.2010, p. 39–73

Factors such as Iran's regional destabilization, human rights abuses, and ballistic missile program have prompted the EU to adopt a more comprehensive approach. This evolution reflects a strategic shift aimed at exerting maximum pressure on Iran to modify its behavior across multiple domains.

4- Trade Control Systems in Iran

International trade offers consumers access to a wider array of goods and services from around the globe. This enhances product variety, enabling consumers to find items that align with their specific tastes and needs.²⁷

In recent decades, technological advancements and the emergence of multinational corporations have significantly transformed global markets. This evolution has been accompanied by a substantial increase in international trade. Empirical evidence from various economies suggests that the benefits derived from free trade generally outweigh its associated challenges. Imports, in particular, have proven to be instrumental in fostering job creation and economic growth. These dynamic changes have collectively contributed to enhanced economic prosperity and elevated living standards worldwide.²⁸ International trade, characterized by its complexity and inherent challenges, necessitates the implementation of precise and efficient control systems. These systems serve as indispensable mechanisms for safeguarding trade safety, security, and operational efficiency. In the context of Iran, a comprehensive framework of control systems has been established by governmental and private entities to oversee and regulate trade activities. The following analysis will delve into the intricacies of these systems and their pivotal role in Iran's trade landscape.

Iran's trade control regime comprises a complex framework of laws, regulations, and institutional oversight governing the import and export of goods and services. The process encompasses order registration, permit issuance, tariff determination, and customs clearance. The main rules governing export-import regulations are established by the Islamic Consultative Assembly (Parliament) and the Council of Ministers, who enact the "Act on Export-Import Regulations"

²⁷ Radcliffe, B. (2024, June 26). The basics of tariffs and trade barriers. *Investopedia*. Reviewed by R. C. Kelly. Fact checked by Y. Perez. Retrieved from <https://www.investopedia.com/articles/economics/08/tariff-trade-barrier-basics.asp>

²⁸ Behkish, Mohammad Mehdi. (2001). *Iran's Economy in the Context of Globalization*. Tehran: Ney Publishing, p. 30.

along with its Executive Ordinance. These bodies also pass annual Budget Acts and issue directives through the circulars of the Central Bank.

The "Act on Export-Import Regulations"²⁹ along with the annual Budget Acts are legislated by the Islamic Consultative Assembly. The Council of Ministers manages the execution of this Act's Executive Ordinance. The Central Bank of the Islamic Republic of Iran is tasked with creating and distributing circulars concerning financial matters to the appropriate agencies.³⁰ Key agencies involved in its administration include the Ministry of Industry, Mine and Trade, the Trade Promotion Organization, Customs authorities, and the Central Bank. The primary objectives of this system are to regulate trade flows, protect domestic industries, and serve the nation's economic and security interests.

To understand Iran's trade control system, the analysis begins with an elaboration of the export control mechanisms. These mechanisms comprise a framework of laws, regulations, tools, and various executive systems implemented by the Iranian government to oversee and monitor the export of specific goods and services. Subsequently, a thorough analysis is undertaken to explore the operational dynamics of these tools and systems. Finally, the impact of sanctions on this system is examined.

It is crucial to underscore that these systems and monitoring mechanisms, originally conceived as economic instruments, have been strategically repurposed in the wake of sanctions to advance Iran's foreign economic policy objectives. This transformation in their function and focus serves as a testament to the resilience and strategic agility of Iran's economic policies, enabling the country to navigate and counteract the complex challenges posed by the evolving international landscape.

4-1 The Comprehensive Customs System or ELECTRONIC PACKING LIST(EPL)³¹

The Electronic Packing List (EPL) is a critical component of the Comprehensive Customs System employed in Iran. As a standardized digital document detailing the contents of a shipment, the EPL

²⁹ <http://farsi.tpo.ir/uploads/lowbook97/Lb-fehrest-97.pdf>

³⁰ Iran Trade Promotion Organization. (2020, November). *IR Iran trade regulation*.

³¹ <http://www.epl.irica.ir/>

significantly streamlines customs clearance processes. Its integration into the broader customs system has been instrumental in enhancing trade efficiency and facilitating non-attendance clearance procedures for imported and exported goods.

The EPL, when accurately and comprehensively completed, provides customs authorities with essential information for risk assessment, tariff calculation, and regulatory compliance verification. This, in turn, expedites customs clearance times and reduces the potential for delays or disruptions to the supply chain.

This system serves as a foundational platform for the effective management of Iran's trade activities. Designed to streamline processes and enhance regulatory compliance, the CCS encompasses a broad spectrum of functionalities. CCS Introduced in 2014 in response to the escalating volume and complexity of international trade, the CCS marked a pivotal shift from traditional paper-based methods to digital processes. By centralizing customs operations and leveraging technology, the system has significantly improved efficiency, transparency, and accuracy within the customs domain. Applications of this system include power of attorney, remote declaration, export and import of goods, temporary vehicle exit, and other international trade activities.

In sum, The Comprehensive Customs System (CCS) serves as a critical component of Iran's trade management infrastructure. As a centralized platform, it oversees and streamlines the entire customs process, from import to export. By digitizing customs procedures, the CCS has significantly enhanced efficiency, transparency, and compliance.

4-2 The Order Registration System (Comprehensive Trade System)

The Comprehensive Electronic Trade System (CETS), also referred to as the Order Registration System, is a sophisticated integrated platform designed for the management and oversight of trade processes within Iran. It functions as a pivotal interface between traders and pertinent authorities involved in international trade. Officially launched on July 27, 2016, this system has been operational since that date.

Currently, traders can utilize the Comprehensive Electronic Trade System (CETS) to execute a range of functions, including order registration, acquisition of import licenses, and business card verification, by accessing the platform through www.ntsww.ir.

CETS is an integrated platform that manages and oversees all processes related to domestic and international trade. This system includes various modules for managing order registration, currency allocation, customs procedures, and quality and standards control of goods. CETS is designed with the aim of increasing transparency, reducing bureaucracy, and enhancing the efficiency of trade processes. It enables traders to handle all stages of trade electronically from a single platform.

This System consists of two main sections: Cross-Border Trade and Domestic Trade. The Cross-Border Trade section includes import, export, and transit operations. To guide and educate traders, this document will outline the sequential steps involved in cross-border import operations. It should be noted that the system is designed to manage and control import and export orders, and the five main clusters of operations related to the cross-border trade import order registration system are described below:

- **Order Management:** Managing and overseeing import and export orders.
- **Currency Allocation:** Handling the allocation of foreign exchange for trade transactions.
- **Customs Procedures:** Facilitating and streamlining customs formalities for goods.
- **Quality Control and Standards:** Ensuring that imported and exported goods meet required quality and standards.
- **Transit Operations:** Managing the transit of goods through different jurisdictions.

The Comprehensive Electronic Trade System serves as a critical regulatory tool for Iran's trade activities. By mandating order registration and requiring necessary permits from the Ministry of Industry, Mine, and Trade, the system establishes a robust framework for overseeing imports and exports. This centralized approach allows the government to effectively manage trade flows, preventing the entry of undesirable or prohibited goods while facilitating the importation of essential commodities. This extends beyond mere management purposes; it is fundamentally about exerting political control over trade.

Moreover, the CETS generates comprehensive trade data, providing valuable insights for informed policymaking and strategic decision-making. This data-driven approach enables the government

to identify trade trends, assess economic impacts, and optimize trade policies to support national development goals.³²

4-3 The NIMA platform (Integrated Forex Transactions System)

The NIMA platform (Iran's Foreign Exchange Management Integrated System) is a critical component of Iran's economic infrastructure. Implemented by the Central Bank of Iran, NIMA serves as a centralized marketplace for foreign currency exchange, facilitating transactions between exporters and importers. By mandating that exporters sell their foreign currency earnings on the NIMA platform, the system aims to increase foreign exchange liquidity by channeling export revenues into the official market. This enhances the availability of foreign currency for essential imports and stabilizes the exchange rate through a controlled supply and demand mechanism, mitigating excessive volatility. Additionally, NIMA promotes transparency in foreign exchange transactions, reducing opportunities for rent-seeking and illicit activities.

While NIMA has been instrumental in managing Iran's foreign exchange resources, its effectiveness in achieving these objectives is subject to ongoing evaluation and adjustments in light of economic conditions and geopolitical factors.

The NIMA System, established in response to international sanctions, is a robust platform designed to prevent the outflow of foreign currency and regulate its management. This system was implemented to address the challenges posed by economic sanctions and ensure effective control over foreign exchange transactions. By centralizing foreign currency operations, the NIMA System helps to mitigate risks associated with currency outflow and strengthen oversight of currency management within the country.³³ To access foreign currency through NIMA, importers must adhere to specific regulations, including obtaining necessary permits from both the Central Bank of Iran and the Ministry of Industry, Mine, and Trade. This multi-tiered approval process ensures

³² www.ntsww.ir.

³³ "Season of reconciliation between Nima and Sena with whispers of actual removal of oppressive sanctions." (2021, July 6). *Rahavard News Agency*. Retrieved from <https://rahavard365.com/news/64790/ظالمانه-تحریم-های-ظالمانه>

that foreign exchange allocation aligns with national economic priorities and contributes to overall macroeconomic stability.

Importers and Exporters must submit their currency allocation requests through the NIMA System, and upon approval, they will receive the necessary foreign currency. This system helps manage currency fluctuations and prevent misuse. Traders or trading companies requiring currency for their transactions can register their requests through the Comprehensive Trade System. They can then coordinate with authorized and online exchange services to obtain their currency.

4-4 Inspection and Quality Control Systems

Inspection and quality control systems are critical components of supply chains and international trade. Ensuring the safety, quality, and compliance of goods is paramount in international trade. To this end, Iran has established a robust inspection and quality control system, overseen by regulatory bodies such as the Iranian National Standards Organization and the Food and Drug Administration. This system mandates rigorous examinations of both imported and exported products to verify adherence to domestic and international standards.

A comprehensive evaluation process is conducted to assess product quality, safety, hygiene, and environmental impact. For instance, the Integrated Standards Compliance Monitoring System meticulously scrutinizes domestic and foreign goods to ensure conformity with established benchmarks. This meticulous approach safeguards consumer health, protects the environment, and upholds Iran's reputation as a reliable trading partner

This regulatory mechanism serves as a critical instrument for managing trade flows, safeguarding national interests, and ensuring compliance with domestic and international standards. By imposing licensing requirements on a range of goods, the government exercises control over trade volumes, composition, and direction. Regarding this issue, Iran's Export and Import License Issuance System serves as a crucial framework designed to regulate and streamline the licensing process for the export and import of goods. This system is essential for ensuring that all trade

activities adhere to national regulations and international agreements, thereby facilitating efficient and lawful trade operations.³⁴

4-5 Monitoring and Information Systems

Monitoring and information systems are integral to regulating trade activities. These systems, managed by key institutions such as the Customs Administration, the Ministry of Industry, Mine, and Trade, and the Central Bank, are essential for the effective oversight and management of trade processes. They are designed to collect, analyze, and report trade-related data, which is crucial for a range of functions.

The primary role of these systems includes the systematic collection of data on trade transactions, including imports, exports, and customs activities. This data is then analyzed to identify trends, assess performance, and pinpoint issues and weaknesses in the trade process. By providing detailed insights into trade activities, these systems support strategic decision-making and policy formulation.

Moreover, the information gathered from these systems plays a significant role in enhancing transparency and accountability within the trade sector. It helps in monitoring compliance with regulatory requirements and detecting potential violations or irregularities. This, in turn, aids in preventing illegal activities such as smuggling and trade violations. These monitoring and information systems contribute to a more efficient and regulated trade environment. They ensure that trade operations are conducted in accordance with established regulations, support the identification and resolution of issues, and enhance the overall integrity and effectiveness of trade management.

4-6 Supports and Financial Systems

To support traders and facilitate trade processes, Iran has implemented a range of support and financial systems aimed at ensuring efficient and secure commercial operations. These systems

³⁴ <https://coc.isiri.gov.ir/>

encompass the provision of financial and credit facilities, trade insurance, and various export incentives, each designed to bolster the economic activities of traders and reduce associated risks.

A key component of these systems is the financial and credit facilities provided by commercial banks and financial institutions. These entities offer loans and credit services at low-interest rates, enabling traders to access the necessary capital for their business operations. This financial support is crucial for maintaining liquidity, funding expansion projects, and managing day-to-day expenses, thus ensuring the sustainability and growth of trading enterprises.

Trade insurance is another vital aspect of the support system. The Export Guarantee Fund of Iran (EGFI)³⁵ plays a significant role in this area by offering comprehensive insurance and guarantee services to exporters. These services are designed to protect exporters from a wide range of commercial risks, such as payment defaults, political instability, and other unforeseen events that could adversely affect international trade transactions. By mitigating these risks, the EGFI helps to create a more stable and secure trading environment, encouraging greater participation in international markets.

Export incentives form another critical element of Iran's support and financial systems. These incentives are aimed at promoting the export of goods and services, thereby enhancing the country's trade balance and economic growth. The government and related institutions may offer various benefits, such as tax exemptions, subsidies, and other financial rewards to exporters who meet specific criteria. These incentives not only make Iranian products more competitive in the global market but also encourage businesses to explore and expand into new international markets.

EGFI, as the official Export Credit Agency (ECA) of Iran, plays a crucial role in supporting the nation's exporters through a wide range of international activities. These activities are significant in enhancing the competitiveness and reliability of Iranian exports on the global stage. EGFI's comprehensive services include providing export credit insurance, which safeguards exporters against the risks of non-payment by foreign buyers due to commercial or political reasons. This

³⁵ Islamic Consultative Assembly. (1973). **Law on the Export Guarantee Fund of Iran**. Retrieved from <https://rc.majlis.ir/fa/law/show/95037>

insurance coverage helps to create a secure trading environment, encouraging exporters to enter new markets with greater confidence. These activities are significant from multiple perspectives:

1. As the official Export Credit Agency (ECA) of Iran, the Export Guarantee Fund of Iran (EGFI) not only represents Iran's credit insurance industry in international interactions but also works to facilitate the conditions for Iranian exports and investments abroad. In addition to its role in representing the industry, EGFI actively engages in necessary consultations and negotiations to support and ease the process of exporting Iranian goods and investing in foreign markets. Through these efforts, EGFI aims to improve the conditions for Iranian businesses seeking to expand their international presence and foster more favorable trading and investment opportunities.
2. The Fund's interactions with external entities, such as unions, banks, government and semi-government institutions, and companies, lead to the acquisition of credit information about these organizations. Additionally, it involves negotiations and consultations aimed at supporting exports covered by the Fund. These efforts ultimately contribute to enhancing the services provided by the Fund to its clients, ensuring that exporters receive improved support and more effective risk management solutions.
3. The participation and provision of services by the Fund's representatives in various business delegations, joint commission meetings, and other events facilitate the signing of export contracts between domestic private sector traders and foreign buyers. This involvement helps to streamline the process, making it easier for Iranian exporters to establish and finalize agreements with international partners.
4. Providing the necessary infrastructure for risk sharing, whether through reinsurance or co-insurance, is another area that enhances the Fund's capacity to offer supportive services to exporters. This approach helps to distribute and manage risks more effectively, ultimately improving the Fund's ability to support exporters and strengthen their position in international markets.
5. The Fund also provides advisory services to foreign financial, banking, and insurance institutions as needed, assisting them with financing, insurance coverage, and other related services in Iran. This support has a direct impact on financing projects within Iran and attracting foreign direct investment. Backed by government financial support, the Fund not

only covers political and commercial risks associated with exports but also facilitates the provision of various types of credit guarantees. This helps secure the necessary financial resources for projects and investments.³⁶

The political significance of this selection process is particularly evident in the context of securing support from EGFI. The selection criteria are designed to favor companies that align with the newly established foreign economic policies, thereby facilitating their access to such financial support. These companies, given their congruence with the government's strategic priorities, encounter fewer barriers in obtaining necessary funding and benefit from enhanced levels of support. Consequently, the mechanisms of budget allocation and export guarantees function not merely as economic instruments but as potent political tools for reinforcing and steering the nation's foreign trade agenda.

5- Regulations on Import and Export in Iran

5-1 The framework of Import and Export regulatory system

Import and Export regulations in Iran serve to regulate and control the flow of imported goods, support domestic production, and fulfill the needs of the domestic market. These regulations are formulated and implemented by various authorities, including the Ministry of Industry, Mine and Trade, the Iranian Customs Administration, and health and standards organizations.

To initiate the import process, importers are required to register their orders within the National Trade System for Window (NTSW) prior to importing goods into the country. This registration necessitates the submission of comprehensive details concerning the goods, the supplier, and the intended final destination. Additionally, it is imperative for importers to secure the necessary licenses and permits from the appropriate regulatory bodies. This includes obtaining import licenses from the Ministry of Industry, Mine and Trade, health certifications from the Ministry of Health, and compliance certificates from the National Standards Organization. Goods must pass through customs clearance procedures, which involve submitting appropriate documentation, such as invoices, packing lists, and certificates of origin, as well as paying customs duties and taxes.

³⁶ <http://www.egfi.ir/>

Customs authorities conduct inspections to ensure compliance with import regulations. Imported goods are subject to rigorous quality and safety inspections to ensure they meet national and international standards. These inspections are carried out by agencies such as the National Standard Organization and relevant health authorities, which check for quality, safety, hygiene, and environmental compliance.

Importers must comply with foreign exchange regulations, which include using the NIMA (Integrated Forex System) platform to obtain the necessary foreign currency for imports. This system helps manage the country's foreign exchange reserves and stabilize the market. Additionally, importers are required to pay value-added tax (VAT) and other applicable duties on imported goods, with rates varying depending on the type of goods and their classification under the Harmonized System (HS) codes.

Certain goods are restricted or prohibited from being imported due to health, safety, environmental, or national security concerns. These restrictions are in place to protect public health and safety, the environment, and the domestic economy. Importers must ensure they are not bringing in goods that fall under these restricted or prohibited categories. Importing strategic goods, such as pharmaceuticals, medical equipment, and certain agricultural products, is subject to specific regulations. Importers of these goods must obtain special permits and adhere to strict conditions set by relevant authorities.

Importers must be aware of and comply with international sanctions and restrictions. Goods from certain countries or those associated with specific entities may be subject to sanctions, and importers need to ensure they are not violating these regulations. Regulatory authorities continuously monitor imports to enforce compliance with regulations. Violations can result in penalties, fines, and confiscation of goods. Regular audits and inspections are conducted to ensure adherence to import laws. These regulations are continually updated to adapt to changes in international trade dynamics and domestic market conditions, ensuring smooth import processes and preventing legal and logistical issues.

Iran's import regime is governed primarily by the Law on Export and Import Regulations, a comprehensive legislative framework outlining permissible and prohibited goods, as well as the

specific conditions and documentation required for importation. This legislation, which has undergone several amendments, most recently in 2008, serves as the foundation for regulating import activities and ensuring compliance with national policies and international obligations. A critical aspect of this regulatory framework is the requirement for specific permits for certain imported goods. These permits are issued by relevant government agencies and are designed to control the influx of specific products and protect domestic industries.

To enhance transparency and facilitate effective policymaking, the Law mandates that the Central Bank of Iran and the Iranian Customs Administration provide detailed import statistics to the Ministry of Commerce and other relevant entities (Art 9)³⁷. This data-driven approach underpins informed decision-making and enables the government to monitor trade patterns, identify emerging trends, and implement appropriate trade policies.³⁸

In Iran, a comprehensive set of export regulations is enforced by various supervisory and executive bodies to manage and control export processes. Iran's trade regulations serve a multifaceted role, extending beyond economic management to encompass strategic foreign policy objectives. By designing and implementing these regulations, the Iranian government seeks to align commercial interests with broader political goals. The primary legal framework, the Iranian Export and Import Regulation Law, governs exports by listing allowable and prohibited goods and stipulating necessary conditions and documentation for exporting each type of commodity. This law is regularly updated to align with changing economic needs and trade policies. Certain goods require special permits from competent authorities. Additionally, the Ministry of Industry, Mine and Trade, along with Customs, issues detailed executive regulations and guidelines covering export order registration, currency allocation, health and quality standards, and inspection procedures to provide further clarity on the export processes.³⁹

³⁷ <https://rc.majlis.ir/fa/law/show/92307>

³⁸ Iran Export and Import Regulation Law. (1993). Retrieved from <https://portalda.pseez.ir/InvestInternet/fa-ir/ShowPage/Export%20and%20Import>

³⁹ Commerce Printing and Publishing Company, Dependent Institute for Trade Studies & Research. (2016). *Export-Import Regulations and the Executive Ordinance of Law on Export-Import Regulations, Annex Customs Tariff Tables Based on the Harmonized Commodity Description and Coding System, 2015-2016*. Tehran: Commerce Printing and Publishing Company. Retrieved from <https://fdo.tums.ac.ir/uploads/282/2023/Sep/11/قانون-مقررات-صادرات-و-واردات-ایران.pdf>

5-2 The Customs Affairs Law

The Customs Affairs Law constitutes a foundational pillar of Iran's import regulatory architecture. This comprehensive legislation delineates the procedural parameters governing the clearance, assessment, and release of imported goods. Its primary objective is to ensure adherence to national regulations and standards while facilitating the smooth flow of trade.

Central to the law is the imposition of stringent documentation requirements on importers. Comprehensive documentation, including invoices, bills of lading, and requisite permits, is essential for the customs clearance process. Customs authorities are tasked with meticulously examining imported goods to verify their conformity with declared information and to accurately assess applicable duties and tariffs. Upon successful verification and duty payment, goods are released for domestic distribution.

The Customs Affairs Law plays a pivotal role in safeguarding national interests, preventing illicit trade activities, and ensuring the collection of appropriate customs revenue. Its implementation is instrumental in maintaining the integrity of the import process and fostering a level playing field for both domestic and foreign businesses.⁴⁰

While the Customs Affairs Law provides a robust framework, challenges such as corruption, technological limitations, and economic sanctions can impede its effective implementation. To optimize customs operations, Iran can benefit from investing in technology, enhancing transparency, and strengthening anti-corruption measures. Article 3⁴¹ of the law delineates the comprehensive range of duties and authorities vested in the Customs of Iran. The responsibilities are as follows:

a. **Implementing Government Policies:** Customs authorities are tasked with enforcing the government's policies concerning the export, import, and transit of goods. This involves ensuring that all trade activities comply with national regulations and align with government strategies aimed at regulating trade flows and economic interactions.

⁴⁰ Customs Affairs Law. (2011). Law no. 57445/373. Research Center of the Parliament. Retrieved from <https://www.ekhtebare.ir/wp-content/uploads/2014/07/فانون-امور-گمرکی.pdf>

⁴¹ https://www.pwcs.co.ir/Content/media/image/2020/09/8023_orig.pdf?t=637354985523472463

b. **Duties Collection:** One of the primary functions of Customs is to assess and collect various customs duties and payments mandated by law. This includes calculating the appropriate duties and tariffs for imported goods, ensuring that all financial obligations are met by the importers, and managing the collection process efficiently.

c. **Customs Clearance:** Customs authorities are responsible for conducting all legal procedures required for the clearance and delivery of goods to their rightful owners or their legal representatives. This process includes thorough reviews of all necessary documents, such as purchase invoices and shipping bills, to ensure that the conditions for clearance are met accurately. The authorities also address any discrepancies related to received or refunded amounts, ensuring transparency and accuracy in the clearance process.

d. **Control and Oversight:** The Customs of Iran plays a crucial role in monitoring and supervising the transit of goods across the country's borders. This involves overseeing the movement of goods to ensure they are transported legally and in compliance with relevant regulations, thus preventing illegal activities and ensuring the proper flow of goods.

e. **Regulations Enforcement:** Customs is responsible for enforcing laws and regulations related to customs violations, smuggling, and the handling of abandoned or seized goods. This includes taking necessary actions against illegal trade practices, ensuring compliance with customs regulations, and managing confiscated goods in accordance with the law.

f. **Infrastructure Development:** Customs authorities are tasked with planning and providing the necessary infrastructure to support modern customs operations. This includes developing and implementing advanced systems, procedures, and methods, such as a single-window system for customs activities, which aims to streamline processes and improve efficiency in customs operations.

g. **Data Collection and Analysis:** Customs authorities are responsible for collecting, analyzing, and publishing data on import and export volumes. This statistical information is crucial for understanding trade patterns, making informed policy decisions, and supporting economic planning and analysis.

h. **Additional Customs Duties:** The Customs of Iran is also responsible for carrying out any additional duties specified by law. This includes performing other tasks related to customs operations that are not explicitly detailed but are necessary for the effective functioning of the customs system.

5-4 Executive Regulations and Guidelines⁴²

In addition to the primary laws, a comprehensive set of executive regulations and guidelines are issued by the Ministry of Industry, Mine, and Trade, and the Customs Administration. These documents provide detailed information regarding the import of goods. They cover various aspects such as:

- **Regulations and Procedures:** Detailed rules and procedures for the importation of goods, including documentation requirements, customs declarations, and compliance checks.
- **Health and Safety Standards:** Specific conditions and standards related to the health and safety of imported goods, ensuring they meet required quality and safety benchmarks.
- **Inspection Procedures:** Guidelines on how inspections should be carried out to verify compliance with legal and regulatory requirements, including the methodology for evaluating and approving imported products.

These regulations and guidelines are crucial for ensuring that the import processes are carried out efficiently, in compliance with national and international standards, and with due consideration for public health and safety. They help in streamlining import operations, facilitating trade, and safeguarding the market from substandard or unsafe products

5-5 The Comprehensive Customs System (CCS)

The Comprehensive Customs System (CCS) represents an advanced digital platform specifically engineered to streamline and optimize customs operations across the entire spectrum of international trade, encompassing both import and export activities. This integrated system serves

⁴² <https://rc.majlis.ir/fa/law/show/115224>

as a centralized hub where importers can manage various customs-related procedures with enhanced efficiency and accuracy.

Key functionalities of the CCS include the electronic registration of goods data, which simplifies and speeds up the process of submitting required documentation. The system facilitates seamless payment of customs duties and fees, ensuring that financial transactions are processed quickly and securely. Additionally, the CCS supports the acquisition of necessary permits, thereby consolidating and automating critical compliance steps.⁴³

Through its automation capabilities, the CCS significantly reduces the time required for customs clearance, which in turn accelerates the flow of goods through international borders. The system also plays a crucial role in minimizing operational errors and discrepancies by providing a robust framework for accurate data management. Furthermore, by enhancing transparency and tracking within the trade ecosystem, the CCS helps to fortify trust and integrity in customs operations.

Overall, the Comprehensive Customs System represents a major advancement in customs management, offering a more efficient, reliable, and transparent approach to handling international trade.⁴⁴

5-6 Order Registration System

The Order Registration System constitutes a sophisticated digital platform instrumental in streamlining Iran's import and export processes. By centralizing order management, this system facilitates efficient data exchange, regulatory compliance, and overall trade facilitation. The platform enables stakeholders to electronically submit, track, and manage import and export orders, thereby enhancing operational efficiency and transparency within the trade ecosystem.⁴⁵

The Order Registration System serves as a critical checkpoint in Iran's import process. By mandating order registration prior to importation and requiring necessary permits from the

⁴³ Ahmadzadeh, Y., Darvish Mohammadi, B., & Alizadeh, N. (2020). Examining the effects of the comprehensive intelligent electronic customs system on the performance of customs employees based on the ACHIEVE model (Case study: Jolfa Customs). In *Proceedings of the National Conference on Modern Management Approaches in Interdisciplinary Studies* (pp. 2399-2411).

⁴⁴ <https://epl.irica.gov.ir/login?1>

⁴⁵ Sepidar System. (2023, June 18). Everything about the Comprehensive Trade System of Iran (www.ntsww.ir). Retrieved from <https://www.sepidarsystem.com/blog/what-is-ntsww/>

Ministry of Industry, Mine, and Trade, this system establishes a robust regulatory framework. This centralized approach empowers the government to effectively oversee import activities, preventing the entry of undesirable goods and ensuring alignment with national economic objectives.

The system's role extends beyond mere control; it also provides valuable data for informed decision-making. By tracking import trends and patterns, policymakers can identify areas for potential intervention or support, thereby contributing to a more strategic and responsive trade policy.⁴⁶

5-7 Specific regulations for sensitive goods⁴⁷

For certain specialized products, such as pharmaceuticals and food items, there are stringent regulations and requirements that govern their importation. These regulations are designed to ensure that these products meet high standards of safety, efficacy, and quality, given their potential impact on public health.

Regulations and laws in Iran are established to manage and control the flow of goods, ensuring their safety, security, and quality. They are designed to maintain high standards for both imported and exported products. Specific rules apply to certain types of goods, necessitating special permits and adherence to detailed standards based on the nature and type of the goods.

The importation of pharmaceuticals and food items in Iran is subject to rigorous regulatory scrutiny to safeguard public health and safety. The Food and Drug Administration (FDA) of Iran is the primary authority responsible for overseeing the importation of pharmaceuticals, ensuring adherence to stringent health and safety standards. Importers must submit comprehensive documentation, including certificates of analysis, manufacturing licenses, and Good Manufacturing Practices (GMP) certifications, for FDA approval.

Similarly, the National Standards Organization of Iran (NSOI) and the FDA collaborate to regulate food imports. Importers of food products must provide food safety certifications, hygiene

⁴⁶ <http://ntsw.ir/>

⁴⁷ Organization for Trade Development of Iran. (2023). *Export and Import Regulations 1402 (Customs Tariff for 1402)*.

certificates, and comply with nutritional labeling regulations. These regulatory bodies conduct thorough evaluations to verify product safety and quality.

Both sectors operate within a framework of international standards to facilitate global trade and maintain consistent product quality. Adherence to these standards is mandatory for market entry. The stringent oversight exercised by Iranian regulatory authorities underscores the country's commitment to protecting consumer health and ensuring the safety of the food supply.

5-7-1 pharmaceutical and medical products

The import and export of pharmaceutical products and medical equipment in Iran are governed by a comprehensive regulatory framework overseen by the Food and Drug Administration (FDA). This regulatory framework is essential for ensuring that all pharmaceutical products and medical equipment meet the high standards required for safety, efficacy, and quality.

Import Procedures: The process of importing pharmaceutical products and medical equipment is detailed and thorough, reflecting the importance of maintaining rigorous health and safety standards. Importers are required to obtain the necessary licenses from the FDA. This involves a detailed application process where information about the products, including their formulations, clinical trial results, and manufacturing processes, must be provided and reviewed.

In addition to licensing, all imported products must comply with both international and national standards. This ensures that they are safe for use and effective in their intended applications. Proper documentation is critical, including detailed information on the product's ingredients, usage instructions, and expiration dates. Accurate labeling is essential not only for consumer safety but also for compliance with regulatory requirements.

Export Procedures: When it comes to exporting, domestically produced pharmaceutical products and medical equipment must also adhere to stringent regulations. These products need to obtain quality certifications from the FDA, confirming that they meet the required standards. Additionally, products must be compliant with the specific regulatory requirements of the target markets, which can involve various international standards and guidelines. The export process requires thorough documentation and adherence to international standards to ensure that the products are accepted in

foreign markets and meet the required safety and quality criteria. This rigorous approach helps facilitate international trade while protecting public health and ensuring that exported products are of high quality and meet the expectations of foreign regulatory bodies.

Overall, the extensive regulatory oversight provided by the FDA ensures that both imported and exported pharmaceutical products and medical equipment meet the necessary standards for safety, efficacy, and quality, thereby safeguarding public health and facilitating global trade.⁴⁸

5-7-2 The import and export of food and agricultural products

The import and export of food and agricultural products are closely regulated by the Food and Drug Administration (FDA) and the Ministry of Jihad Agriculture in Iran. To facilitate the import of these products, importers must obtain necessary health certifications and comply with required standards from the countries of origin. These certifications must be submitted to the relevant organizations in Iran, including detailed documentation regarding the health and safety of the products.

Certifications generally cover aspects such as pest and disease contamination and adherence to sanitary standards. Additionally, all imported food products undergo thorough inspections to ensure compliance with hygiene and safety regulations. These measures are in place to ensure that food and agricultural products meet the required health standards and are safe for consumption. (The "Export and Import Regulations Handbook)

5-7-3 Import and export of electronic and telecommunications products

Importing electronic and telecommunications goods involves a set of rigorous requirements to ensure that these products meet high standards of quality and safety. The process mandates obtaining specific approvals from the relevant regulatory authority, which oversees radio communication and telecommunications. Products in this category must comply with international standards that cover a range of factors including electrical safety, electromagnetic compatibility,

⁴⁸ Law on Medical, Pharmaceutical, Food, and Beverage Regulations. (1955, June 20). With multiple subsequent amendments and additions. Retrieved from <https://fdo.tums.ac.ir/uploads/282/2023/Sep/11/-و-مواد-خوراکی-و-دارویی-و-دارو-نیز-شکی-و-امور-بیز-شکی-و-دارویی-و-مواد-خوراکی-و-و-آشامیدنی.pdf>

* It should be noted that the annexes and amendments to this law have been applied in several series.

and performance efficiency. This means that the products must be tested and verified to ensure they do not pose any safety risks and operate correctly within their designated environments.

To facilitate the importation process, importers must provide comprehensive technical documentation that details the specifications and characteristics of the products. This documentation serves as evidence that the products meet the necessary standards and are suitable for use in the target market.

In addition to the documentation, there are instances where product samples need to be tested in accredited laboratories. These tests are conducted to validate that the products comply with safety and performance standards before they are allowed entry into the market. Certain types of telecommunications equipment may require additional certification from the regulatory authority. This certification process ensures that these products adhere to specific regulations and guidelines, thereby reinforcing their compliance with industry standards and regulatory requirements.⁴⁹

5-7-4 Importing chemical and hazardous products

The import and export of chemical and hazardous goods in Iran are subject to a rigorous regulatory framework established by the Environmental Protection Organization (EPO) and the Ministry of Health, Treatment, and Medical Education. This framework aims to safeguard public health, environmental protection, and national security by ensuring the safe handling, transport, and disposal of these substances. This framework encompasses several key aspects:

Permits and Approvals: Importers and exporters of chemical and hazardous goods must obtain specific permits and approvals to comply with safety regulations. These permits are essential for verifying that the goods meet the required safety and regulatory standards before they can enter or leave the country.

Documentation: A comprehensive set of documentation is required for these goods. This includes Safety Data Sheets (SDS), which provide detailed information on the properties and handling of

⁴⁹ Organization for Trade Development of Iran. (2023). *Export and Import Regulations 1402 (Customs Tariff for 1402)*.

the chemicals, and Certificates of Analysis, which confirm that the goods meet established safety and quality standards.

Inspections and Testing: Regular inspections and testing of chemical and hazardous goods are conducted to ensure that they adhere to safety regulations and standards. These checks help in verifying that the goods are correctly labeled, stored, and handled.

Handling and Storage: There are stringent guidelines for the safe handling and storage of chemical and hazardous materials. These guidelines are designed to prevent accidents, leaks, and spills, and to ensure that the materials are stored in conditions that minimize risks to human health and the environment.

Emergency Response: The framework includes emergency response plans for managing incidents involving hazardous materials. These plans outline procedures for dealing with spills, leaks, or other emergencies to mitigate potential damage and protect both people and the environment.

Environmental and Health Safeguards: Measures are put in place to assess and mitigate the impact of chemical and hazardous goods on the environment and public health. This involves evaluating the potential risks associated with these substances and implementing controls to minimize their adverse effects.⁵⁰

5-7-5 The import and export of industrial and petrochemical raw materials

The import and export of industrial raw materials and petrochemical products in Iran are governed by a detailed regulatory framework overseen by the Ministry of Industry, Mining, and Trade and the National Petrochemical Company. This framework ensures that these materials meet stringent standards for composition, quality, and safety.

For imports, companies must present comprehensive documentation that includes certificates confirming the products' chemical composition, quality controls, and safety measures. These documents are essential for verifying that the products comply with both national regulations and

⁵⁰ Idm

international standards. The process involves obtaining approvals from relevant authorities to ensure that the products are suitable for use and do not pose any risk to health or safety.

Similarly, for exports, the regulations stipulate that petrochemical products must conform to high-quality standards. Exporters are required to secure certifications that validate the quality and safety of their products, ensuring they meet the requirements of the target markets. This may involve obtaining endorsements from international bodies to confirm adherence to global standards.

6- Evolution of Iran's Foreign Trade Policies Under Sanctions

In addition to imposing various sanctions against Iran, the United States has consistently implemented extensive sanctions on the transfer of conventional weapons and dual-use goods ever since designating Iran as a state sponsor of terrorism. Moreover, the sanctions against Iran in this area expanded significantly during the 1990s and 2000s, extending to non-American companies involved in Iran's missile and weapons programs. Since 2006, following global concerns over Iran's nuclear program, additional sanctions have been imposed by the United Nations Security Council and the European Union, exerting further pressure on the Iranian government.

It is evident that these imposed restrictions have continuously impacted the activities of Iranian companies involved in technology transfer and international trade, creating significant limitations for them. Therefore, it appears that one of the necessary measures to facilitate the flow of foreign trade in Iran is to devise solutions to mitigate the restrictions resulting from the U.S. dual-use export control regime. Achieving this goal requires a comprehensive understanding of the U.S. export control system for dual-use goods.⁵¹

6-1 Strategic Framework for Implementing Economic Restrictions in Foreign trade of Iran

The "Regulations on Implementing Economic Restrictions in Foreign trade", which were approved by the Cabinet on February 15, 2005⁵², detail the principles and methods for imposing economic

⁵¹ Stockholm International Peace Research Institute (SIPRI). (2015). *SIPRI Yearbook 2015: Armaments, disarmament and international security*. Oxford University Press.

⁵² Cabinet Resolutions. (2005, February 15). Regulations on Implementing Economic Restrictions in Foreign Relations. <https://rc.majlis.ir/fa/law/show/124970>

restrictions in the foreign relations of the Islamic Republic of Iran. Formulated based on Article 138 of the Constitution, these regulations focus on reducing or prohibiting economic cooperation and trade to exert pressure on other nations to alter their political and economic behaviors. The Ministry of Commerce oversees the implementation of these restrictions, with mandatory cooperation from all ministries, organizations, and governmental institutions.

These restrictions are specifically targeted at countries whose hostile actions or stances threaten the interests of Iran⁵³. The Cabinet is responsible for determining such threats. Prior to making this determination, a working group, led by the Minister of Commerce and including representatives from various ministries and organizations, is formed to assess the impacts and nature of the restrictions and provide necessary recommendations.⁵⁴

In presenting recommendations to the Cabinet, the working group must consider various factors such as the level of political relations, membership in economic and political unions, potential export markets, the extent and nature of strategic cooperation, the share of the country in the trade balance, the essential level of economic and trade cooperation, the quality and elasticity of imported goods, and cultural and human issues.⁵⁵

The types of economic restrictions that can be imposed include reducing or cutting economic cooperation, increasing tariffs on imported goods, implementing quantitative import restrictions, halting imports of specific goods, setting import quotas, postponing joint economic meetings, setting ceilings for bilateral trade, stopping government purchases, canceling or halting credit for purchases, restricting entry points, not providing usual facilities for opening credit, applying discrimination and requiring special licenses, investment sanctions, prohibiting participation in specific tenders, financial sanctions, not using counterpart financial institutions, banning imports for re-export, and imposing flight and passenger restrictions.⁵⁶

⁵³ Article 2 - Economic restrictions shall be applied exclusively to the country or countries that, through hostile actions or stances, threaten the interests of the Islamic Republic of Iran.

⁵⁴ The interpretation and details of the article are specified in its belonging note.

⁵⁵ Article 3 - The working group mentioned in the note of Article 2, in its examination, formulation, and presentation of proposals to the Council of Ministers, must consider a series of points regarding the country or countries under restriction. These points are fully detailed in the text of Article 3.

⁵⁶ Article 4 - Each of the items mentioned in this article, individually or collectively, depending on the type of action or hostile stance, can be applied as economic restrictions against the country or countries in question. (For more information, one should refer to the text of the article)

The working group is tasked with ensuring that the damages caused by economic restrictions to the country's citizens are minimized. Contracts concluded before the imposition of restrictions remain executable, and restrictions will be implemented gradually. Additionally, suspending trade relations and economic cooperation will not include canceling signed and approved trade agreements unless decided by the working group.

The working group also has the authority to review and propose the lifting of economic restrictions to the Cabinet for decision. Suspending or canceling agreements and other legally binding matters require legal authorization from the Islamic Consultative Assembly (Parliament). These regulations, signed and issued by the First Vice President, Mohammad Reza Aref, are mandatory for executive bodies from the date of issuance.

This regulation provides a comprehensive framework for managing and controlling Iran's foreign economic relations, enabling the government to effectively use diverse and efficient economic tools to counter external threats and protect national interests. Specifically, it includes provisions that enable the government to respond appropriately to hostile actions by other countries by imposing economic restrictions such as reducing or halting economic cooperation, restricting imports and exports, applying new or increased tariffs, and other similar measures.

The regulation empowers the government to exert necessary economic and political pressure on foreign countries or entities that pose a threat to Iran's national interests. These actions can lead to changes in the political and economic behavior of these countries and contribute to achieving Iran's strategic and security objectives.

Article 5⁵⁷ addresses the cessation or imposition of further restrictions on non-essential goods, delegating their identification to specialized working groups. These groups adjust classifications as needed over time, ensuring relevance and effectiveness. The article provides the legal framework for categorizing imported goods, facilitating targeted economic restrictions that align with national economic objectives. This dynamic approach leverages expert knowledge for timely

⁵⁷ Article 5- Goods whose import cessation does not harm industrial development or domestic supply, or those that can be easily sourced from alternative suppliers, will be prioritized for economic restrictions.

and effective policy implementation. This legal framework also allows the government to implement economic restrictions gradually and with consideration of their potential impact on the domestic economy. This approach helps prevent severe negative impacts on various economic sectors and minimizes the damages resulting from the restrictions.

Furthermore, the regulation establishes specific mechanisms for assessing and evaluating threats and how to respond to them, allowing the government to respond coherently and systematically to these threats. The working group, formed under this regulation, is responsible for gathering information, thoroughly analyzing conditions, and providing suitable recommendations to the Cabinet for necessary decisions.

Overall, this regulation plays a crucial role in ensuring the economic and political security of the Islamic Republic of Iran, providing the government with the means to effectively and efficiently defend the country's national interests against external threats.⁵⁸

6-2 Import and export regulatiuon

Imports of goods and services are vital to the Iranian economy, significantly contributing to the continuity of production, market regulation, and the export of goods. Enhancing the ease of imports can substantially reduce economic costs. However, during the intensified sanctions period of 2011-2012, Iran faced a sharp decline in oil revenues and trade services due to comprehensive economic restrictions. The Central Bank of Iran was also sanctioned, leading to severe currency shortages and increased exchange rates. Consequently, imports declined, transactional costs for imported goods surged, import procedures became more cumbersome, and market prices rose.

One of the critical consequences of these sanctions was the pronounced volatility in the exchange rate, reflecting the broader economic instability. In response to these challenges, the Iranian government implemented several measures to mitigate the adverse effects of the sanctions. In 2012, the establishment of the Forex Center was a pivotal policy intervention aimed at stabilizing the economy. This center was designed to manage and allocate foreign exchange more effectively,

⁵⁸ Cabinet of Ministers of the Islamic Republic of Iran. (2005, February 15). Regulations on Implementing Economic Restrictions in Foreign Relations. Retrieved from <https://rc.majlis.ir/fa/law/show/124970>

particularly prioritizing the allocation of currency for ten specific categories of essential goods. This prioritization was intended to ensure that crucial imports continued despite the financial constraints, thereby supporting key sectors of the economy.

The policy had a significant impact on imports, as it allowed for a more structured and prioritized approach to foreign exchange allocation. By focusing on essential goods, the government aimed to maintain a baseline level of economic stability and mitigate some of the harshest impacts of the sanctions. However, the overall economic environment remained challenging, with ongoing issues related to currency valuation, import costs, and market pricing continuing to affect both producers and consumers.⁵⁹

Since 2018, with the commencement of the second round of sanctions, Iran's foreign trade landscape has undergone substantial changes. Strict regulations have been reintroduced in both import and export sectors, and these measures have intensified in recent years. The import sector, in particular, has seen the reinstatement of various import bans. These stringent measures aim to navigate the economic challenges posed by sanctions, ensuring the preservation of essential resources and maintaining the stability of the domestic market. The government has focused on managing trade effectively under these constraints, prioritizing the import of essential goods and raw materials crucial for the nation's industries. Despite these efforts, the impact on trade dynamics and market prices remains evident, reflecting the broader economic pressures faced by the country.⁶⁰

Initially, according to the law on the permanent provisions of the country's development programs, imposing any non-tariff and technical restrictions on imports was prohibited. However, a long list of goods was placed under import bans. Goods were categorized, and priority for imports was given to essential items. In the export sector, the requirement for foreign exchange repatriation returned to the country's foreign trade practices. Initially, major exporters and later all exporters were required to return their export earnings in foreign currencies. Although such stringent

⁵⁹ Garshasbi, A. (2014). Policies and Strategies for Import Management under Intensified, Eased, or Lifted Sanctions. Retrieved April 12, 2021, from <https://civilica.com/doc/1173548/>

⁶⁰ Presidency Information Center. (2021, August 1). Retrieved from <https://president.ir/fa/122425>

regulations on foreign trade have been disruptive to trade and the business environment, given the sanction conditions from 2018 onwards, they might have been justifiable for a limited time to manage the foreign exchange market. However, today, six years later, a review of the laws and regulations in the foreign trade sector reveals that not only do these regulations (many of which were initially intended to be temporary for one year) remain in effect, but their number has also increased and the regulations have become more stringent over the years.⁶¹

Currently, foreign trade in the country involves several principal stakeholders. The Central Bank plays a critical role, being responsible for managing foreign exchange policy. The Ministry of Industry, Mines, and Trade has a dual responsibility, overseeing both foreign trade and the industrial sector's import requirements. This ministry ensures that the trade policies align with the nation's industrial needs, facilitating the import of necessary raw materials and goods. In addition to these, the Ministry of Agriculture and the Ministry of Health also play significant roles in shaping foreign trade policies. These ministries are involved because a substantial portion of the country's essential needs, such as food and healthcare supplies, fall under their policy domains. The Ministry of Agriculture focuses on ensuring that agricultural imports and exports meet the country's food security needs, while the Ministry of Health oversees the import of medical supplies and pharmaceuticals essential for public health.⁶²

This multi-faceted approach ensures that foreign trade policies are comprehensive and address the diverse needs of the nation. By coordinating among these various ministries and the Central Bank, the country aims to balance its trade requirements with economic stability, addressing both industrial and essential consumer needs effectively. In the import process, no goods can enter the country through official channels without the approval of the Central Bank, which involves the allocation of foreign exchange. It is the Central Bank that determines when and which goods are allowed entry. Although on paper the customs authorities issue import permits, the Central Bank effectively controls the actual entry of goods by granting or withholding foreign exchange.

⁶¹ Kaviani, Z. (2024, June 29). Unlocking trade: What mission does the fourteenth government have for trade liberalization? Tejarat Farda, Magazine No. 551. Retrieved from <https://www.tejaratefarda.com/fa/tiny/news-47166>

⁶² Pishkhan. (2022, October 22). Ambiguities surrounding foreign exchange and sanctions hinder the issuance of permits for car imports. Retrieved from <https://www.pishkhan.com/news/281644>

6-2-1 Essential Import Permits and Their Significance for Legal Entry of Goods

An import permit is a comprehensive set of authorizations that are essential for the legal entry of goods into the country. These permits serve as crucial regulatory tools, ensuring that all imported goods adhere to the stringent national regulations and standards designed to protect various aspects of the nation's interests. The importance of these permits cannot be overstated, as they play a pivotal role in maintaining the integrity of the country's economic, health, safety, and environmental policies.

Whether an individual has secured government funds for importing goods or is utilizing the importation method without currency transfer, it is imperative that specific government permits be obtained for each type of good, as determined by its nature and value (according to the customs tariff code). Without these permits, the import process cannot be completed. Therefore, it is prudent for importers to familiarize themselves with the requirements and characteristics of each permit and to take the necessary steps to obtain them when required. The following provides more detailed information. In general, there are 11 categories of import permits in Iran, with the most important ones listed below:

Standard Permit: This permit is crucial for every importer or exporter. Goods may need to be tested in relevant laboratories, and upon confirmation of health and quality, the Standard Organization issues a permit and informs customs. If the good have been previously imported and cleared a specific good multiple times without needing a standard permit, you will need to obtain it for subsequent imports and present it during customs clearance. Additionally, goods temporarily imported and then exported after a limited period do not require a standard permit.

Order Registration Permit: This permit is one of the most fundamental and essential permits that every individual or legal entity must obtain to legally import goods into the country. The order registration permit, an eight-digit code, is issued by the Trade Promotion Organization of the country and is obtained through the Integrated Trade System of Iran. The process of registering the order is carried out on this platform.

Central Bank Permit (Currency Allocation)

To enable importers and exporters to use government currency and receive statistical certificate approval, they must present their order registration to the bank. The bank then submits a request for a transfer permit through the system, and approximately one month later, the Central Bank permit is issued. This permit must also be obtained before purchasing the goods.

Quarantine Permit: If the imported goods consist of agricultural seeds, plant seeds, or similar items, a quarantine permit must be obtained. This permit is divided into two categories: animal quarantine and plant quarantine, determined based on the type of imported goods.

Moreover, some plant goods, due to their low risk, do not require a quarantine permit; a health certificate from the origin is sufficient. However, if any issues or contamination are detected, the entry and clearance of such goods will be prevented.

Atomic Energy Organization Permit: Sensitive items such as medical lasers, mobile phones, wireless devices, and similar products must obtain a permit from the Atomic Energy Organization. These items cannot be imported into the country without this permit. Traders must conduct the necessary research regarding this requirement before purchasing these goods.

Food and Drug Administration Permit: Companies and businesses intending to export or import food industry products or medical equipment must obtain a permit from the Food and Drug Administration. The procurement and packaging of food items are of significant importance, and without meeting the required standards, their sale is not permitted.

Overall, it can be said that imported goods are generally divided into three main categories:

Permitted Goods: Goods that do not require specific permits except for the following exceptions:

- Order registration permit before clearance.
- Mandatory standard permit for goods specified by the Standard Administration (<http://www.isiri.gov.ir/>) at the time of clearance.
- Foreign exchange allocation certificate from the Ministry of Industries (certificate of non-domestic production) at the time of obtaining the order registration permit.

Conditional Goods: Goods that require a permit from specific organizations at the time of order registration in Iran (27 organizations issue permits). For example:

- Toys: Cultural and Intellectual Development Center for Children.
- Microwave Ovens: Atomic Energy Organization.
- All goods for human consumption: According to Article 16 of the Food and Hygiene Law by the Ministry of Health. Obtaining this permit involves three stages:
 1. Entry permit at the time of order registration with the IRC code or the 16-digit product identifier.
 2. Clearance permit at the time of goods clearance from customs.
 3. Consumption permit at the time of product consumption, which is obtained online at <http://www.ttac.ir/>.

Prohibited Goods: There are two categories:

1. Religiously Prohibited: For example, pork.
2. Legally Prohibited: Due to the protection of domestic production, the list of these goods varies.⁶³

The Central Bank has the authority to decide which goods, despite not being officially banned, are effectively prohibited due to the lack of foreign exchange allocation. For instance, the non-allocation of foreign exchange to certain priority goods means that although these goods are not officially banned by the Ministry of Industry, Mines, and Trade, they cannot be practically imported through official channels. This centralization of control ensures that the country's foreign exchange reserves are managed effectively, prioritizing essential imports while restricting non-essential ones. The Central Bank's role is crucial in maintaining economic stability by regulating the flow of goods based on the availability of foreign exchange, thus influencing the actual import landscape significantly. Additionally, by setting waiting periods for the allocation of foreign

⁶³ Tradeclass. (n.d.). Classification of goods based on the type of required permits. Retrieved from <https://tradeclass.ir/cargo/>

exchange by the Central Bank, the management of the supply of imported goods in the market has also effectively been placed under the Central Bank's control.

In the export sector, the Central Bank plays a crucial role by setting the rules and guidelines for how exporters must handle their foreign exchange earnings. The Central Bank specifies the markets in which these earnings can be sold, the exchange rates that must be used, and the timeframe within which the transactions must be completed. This level of regulation impacts the profitability and viability of exporting certain goods, making the export of some products more advantageous or feasible than others. As a result, these policies significantly influence exporters' decisions and strategies, shaping the overall landscape of the country's export activities.

Presently, the process of import rationing involves multiple stages. Initially, the Central Bank is responsible for distributing foreign exchange allocations among three key ministries: the Ministry of Industry, Mines, and Trade, the Ministry of Agriculture, and the Ministry of Health. For instance, it has been projected that the foreign exchange quota for the Ministry of Industry, Mines, and Trade for the year 2024 will range between 42 to 50 billion dollars. In the subsequent phase, each ministry further allocates the received foreign exchange to specific categories of goods. For example, the Ministry of Industry, Mines, and Trade might allocate approximately four billion dollars for mobile phones and five billion dollars for automobile parts over the course of a year. This allocation is based on the strategic importance and demand for each category of goods.

The third stage involves the detailed distribution of quotas within each commodity group to individual traders or production units. For instance, a production unit may be permitted to import up to 20% more than the previous year, contingent upon the submission and approval of a production plan by a qualified expert. Traders, on the other hand, are generally allocated import quotas equivalent to their previous year's levels, ensuring a level of continuity and stability in import activities. In the fourth stage, the annual import quota for each trader or production unit is further segmented into quarterly allotments. This systematic distribution specifies the maximum amount that each trader or production unit is allowed to import in each quarter, thereby ensuring a balanced and consistent flow of imports throughout the year. This approach helps in managing supply and demand more effectively, avoiding market disruptions, and ensuring the steady availability of goods.

In summary, the current landscape of foreign trade in the country can be characterized by a restricted trade environment, comprehensive quota systems at all stages, strict control over the flow of foreign exchange, and the imposition of challenging conditions for traders in both the import and informal export sectors. The primary concern in the realm of imports is securing the necessary foreign exchange. If the Central Bank does not object to imports and provides the required foreign exchange within the one billion dollar limit established by the regulations, imports can proceed. However, if importing cars depletes the country's foreign exchange reserves, it is unlikely that import permits will be issued.

The Trade Promotion Organization has officially announced the commencement of priority goods importation for exporters. This new directive enables exporters to engage in importing essential goods, which are deemed critical for the country's economic stability and development. With this announcement, exporters can now start their operations in this sector, taking advantage of the streamlined processes and support provided by the organization to facilitate smoother and more efficient import activities. This move is expected to boost trade activities, ensuring that necessary goods are readily available in the market. According to ISNA, the Trade Promotion Organization has announced that exporters will now be allowed to import priority goods without being subject to the usual import ceilings. Additionally, exporters will not be required to have a prior history of importing. This policy change aims to facilitate the importation process for essential goods, making it easier for exporters to meet the country's urgent needs. By removing these restrictions, the organization intends to streamline trade operations, enhance the availability of critical items in the domestic market, and support the overall economic stability of the country. This new directive represents a significant shift in trade policy, providing exporters with greater flexibility and opportunities to contribute to the national economy.

Thus, officially and following the issuance of this new permit, the process of importing goods in exchange for exports has become feasible through the Integrated Trade System and the NIMA System. This means that exporters can now use the foreign currency earned from their exports to import priority goods, leveraging these digital platforms to manage and streamline the entire process. The Integrated Trade System will facilitate the necessary regulatory compliance and documentation, while the NIMA System will handle the foreign exchange transactions. This

development is expected to simplify trade operations, enhance efficiency, and ensure that essential goods are imported swiftly to meet the domestic demand.

Iran's economy, similar to those of many developing countries, has historically been characterized by a significant dependence on imports. This trait is particularly evident in Iran, given its substantial oil reserves, which have played a crucial role in shaping its economic landscape. An analysis of the composition of Iran's imports reveals that traditionally, during periods of accessible oil revenues, there has been a marked increase in the importation of consumer goods. Conversely, the proportion of intermediary and capital goods has tended to decrease during these times.⁶⁴ This pattern has been notably impacted by external factors such as international sanctions. When sanctions have been imposed and access to foreign exchange resources has been restricted, the government has often prioritized banning the importation of consumer goods to manage the limited available resources more effectively.

A pertinent example of this policy response occurred during the tenth government in 2012, when imported goods were classified into ten distinct categories, and the importation of goods in the tenth category was prohibited. This measure aimed to curtail non-essential imports and conserve foreign exchange reserves. However, this policy was reversed under the eleventh government, which, driven by a wave of international optimism and the potential for improved economic relations, lifted the ban on these imports. This oscillation in import policies underscores the extent to which Iran's economic strategies are influenced by the broader geopolitical and economic environment. The shifts between restrictive and liberal import policies reflect the government's attempts to navigate the challenges posed by fluctuating oil revenues and varying degrees of international economic engagement. These policy adjustments are indicative of a broader strategy to balance domestic economic stability with the pressures and opportunities presented.⁶⁵

⁶⁴ Jahangard, E., Ozouji, A., Farhadi Kia, A., & Khalessi, A. (1131). An examination of the shocks of sanctions (currency restrictions) on key economic variables of Iran and its outlook. *Quarterly Journal of New Economic Theories*, 2(1), 1-15.

⁶⁵ Tejarat Newspaper. (2022, October 22). Currency uncertainties and sanctions hinder car import permits. Retrieved from <https://tejaratonline.ir/#content117113>

- ***U.S. Import Ban***

The Majlis Research⁶⁶ Center's examination of two scenarios for legal prohibition on importing goods from the United States addresses strategic responses to U.S. economic measures against Iran.

First Scenario: It suggests a comprehensive legal ban on all imports from the U.S., including essential medical equipment and specialized drugs exclusively produced there. This scenario acknowledges the potential problems due to Iran's dependency on these critical imports. To alleviate such issues, it recommends restricting the ban to government and state entities, focusing solely on direct imports from the U.S. This approach aims to limit the economic and operational disruptions while maintaining pressure on the U.S.

Second Scenario: This scenario allows the Iranian government to impose non-tariff restrictions specifically targeting companies or countries that collaborate effectively with U.S. sanctions against Iran. This flexible approach lets the government tailor restrictions based on the prevailing circumstances and cooperation levels with the U.S. sanctions. Violators of these restrictions would face severe penalties, including a prohibition on all commercial activities and substantial fines. This method provides a strategic advantage by adapting to changing geopolitical landscapes and leveraging economic sanctions against entities supporting U.S. policies.

In implementing these scenarios, the center proposes incorporating them into the existing legislative framework under the "Punishment and Sanction for U.S. Collaborators in Sanctions Against Iran" bill (Registration No. 559). This integration would streamline the legal process, avoiding the necessity for new legislation, thereby enhancing the efficiency and responsiveness of Iran's economic policies against external sanctions.

⁶⁶ Since its first session, the Islamic Consultative Assembly (Parliament) of Iran has relied on ad hoc consultations with experts for the examination of bills and proposals. Initially, the work was primarily based on the personal understanding and academic capabilities of the representatives themselves. However, in late 1992, following a directive from the esteemed Presidium of the Parliament, an independent, permanent, and organized institution called the "Research Center of the Islamic Consultative Assembly" was established to provide continuous expert and research services to the Parliament. The legal procedures for the establishment of this center were completed in the fall of 1995. (https://rc.majlis.ir/fa/content/about_research_center_fa)

Despite the fact that none of these proposals were ratified by the parliament, Iran's economic policies have decisively shifted towards reducing the importation of consumer goods which is not considered as essential goods that explain previously in response to international sanctions. This strategic move aims to bolster domestic production, minimize reliance on foreign imports, and mitigate the adverse effects of sanctions on the country's economy. By focusing on self-sufficiency and promoting local industries, Iran seeks to strengthen its economic resilience and sustain its growth amidst ongoing external pressures.

The analysis underscores the importance of a balanced approach in imposing economic restrictions, taking into account the potential negative impacts on essential sectors such as healthcare and agriculture. It also highlights the need for flexibility in sanctions implementation to effectively respond to international collaborations against Iran. By adopting these strategies, Iran aims to safeguard its economic interests while exerting pressure on entities supporting U.S. sanctions, thus strengthening its position in international economic relations.⁶⁷

Recent statements by Mohammad Reza Nematzadeh in April 2022, Iran's Minister of Industry, Mine, and Trade, have highlighted the country's trade policy shift in alignment with directives from the Supreme Leader. Emphasizing national production and avoiding American consumer goods, this stance stems from the Supreme Leader's recent directive to the President regarding the JCPOA, stressing economic self-reliance.⁶⁸

The Iranian government, although not legally prohibiting imports from the U.S., aims to minimize them, focusing instead on essential imports within legal and strategic frameworks. Import patterns from the U.S. have remained largely stable over the past few years. Experts have weighed in on the matter, noting the importance of distinguishing between consumable and non-consumable imports. They argue that capital goods necessary for production should remain permissible, even if imported from the U.S. This advocacy aligns with the broader goal of enhancing local production and employment, particularly for goods that can be produced domestically.

⁶⁷ Tabnak Magazine. (2019, October 6). Two Scenarios for Banning Imports from the U.S. Tabnak. <https://www.tabnak.ir/003tSH>

⁶⁸ Jahane Sanaat Magazine. (2022, June 23). Iran-U.S. Trade Relations. Jahane Sanaat. Retrieved from <https://jahanesanat.ir/?p=267284>

Additionally, there is a strategic emphasis on managing imports through tariffs rather than outright bans. This approach balances economic resilience with political directives, aiming to foster domestic capabilities, reduce reliance on contentious trade partners, and ensure that economic policies align with national interests.

The overarching objective of these policies is to bolster Iran's economic self-sufficiency, ensure a stable supply of necessary goods, and maintain a strategic economic stance that supports national interests in the face of international challenges. This approach reflects Iran's commitment to navigating the complexities of international trade and sanctions while strengthening its domestic economy.

- ***Ban on EU Imports***

The car import ban is a retaliatory measure against Europe. Maleki, the spokesperson for the Parliament's Industries and Mines Commission, stated that the market should not be opened for foreign companies to import ready-made cars.⁶⁹

In late November 2022, Omid Ghalibaf, the spokesperson for the Ministry of Industry, Mine, and Trade (IMT), announced the prohibition on importing French cars into Iran. Ghalibaf cited the unprofessional behavior of French automakers over recent years as the primary reason for this decision. Specifically, the ministry will no longer permit the registration and importation of vehicles from Renault, Peugeot, Citroën, and other French car manufacturers. He emphasized that no permits had been issued for French car imports recently, and the focus for imports would shift to Japanese, Chinese, and non-French European cars. The Iranian government and the Ministry of IMT have thus sanctioned French automakers to prevent them from using sanctions as leverage to pressure Iran's automotive industry and market.

On December 6th, Fatemi Amin, the Minister of IMT, further addressed the legitimacy of this ban. He noted the poor track record of French automakers in fulfilling their commitments within Iran, particularly highlighting their actions following the U.S. withdrawal from the JCPOA (Joint

⁶⁹ Majlis Research Center. (2018, June 25). Iran's car import ban: Retaliation against European decisions. Majlis Research Center. <https://rc.majlis.ir/fa/news/show/1062847>

Comprehensive Plan of Action). Amin expressed regret over the French government's recent political stances and reaffirmed the decision not to permit French car imports at this time.

The Ministry of IMT's stance is in stark contrast to media reports that question the import of Chinese cars and compare it to the ban on French cars. The Ministry clarified that the ban on French cars was due to the breach of contracts and commitments by French companies following the U.S. exit from the JCPOA. The swift withdrawal of French companies from Iran's automotive industry after the new round of U.S. sanctions in 2018 inflicted significant costs on Iran's automotive and parts industries, leaving investments incomplete. The previous Iranian government's excessive optimism towards French companies, believing they would create jobs for Iranian youth, led to their unchallenged entry into Iran's market. However, these companies quickly exited under U.S. pressure, abandoning their projects without compensation, which left a negative impression and economic repercussions. Although these setbacks, put more pressure on domestic manufacturers to produce a car with nearly similar quality, they were able to turn a project like Peugeot 301 into the Iranian K132, and subsequently into the Tara car. However, compensating for the damages caused by this exit remains a demand from Iranian car manufacturers and parts suppliers. With the resumption of car imports following a five-year ban, facilitated by the Ministry of IMT, Iran government wanted to put punitive measures against those who supported U.S. sanctions.⁷⁰

In this regard, "Omid Ghalibaf," the spokesperson for the Ministry of Industry, Mine, and Trade in Ebrahim Raisi's government, stated: "However, what is certain is that French cars will not find their way into our market at present because French companies like Renault and Peugeot do not have a good track record during the imposition of sanctions. Despite defining projects and making joint investments, they easily left our country".

Despite initiating joint projects with Iranian manufacturers Saipa (through Pars Khodro) and Iran Khodro (through IKCO), the French companies abandoned these projects midway, causing substantial harm to Iran's automotive sector. Until these losses are compensated, French car imports will remain banned. In contrast, the ban does not extend to China, as Chinese companies

⁷⁰ Mashregh Newspaper. (2022, November 19). Ministry of Industry's condition for the entry of French cars into Iran. mshregh.ir/1437550.

did not leave projects incomplete or sever ties following U.S. sanctions. They have continued their collaborations, and the government has set specific conditions and characteristics for imported cars that are not restricted to any country. Therefore, speculation about banning Chinese car imports appears politically motivated and unfounded.⁷¹

Abolfazl Khalkhali, Deputy Director of the Automotive Industry Office at the Ministry of Industry, Mine, and Trade, addressed this issue during a meeting with journalists on October 8, 2022. He highlighted specific restrictions within the car import regulations, stating, "Countries that have collaborated with the U.S. in enforcing sanctions should be excluded from the car import list. This matter is under active review. The currency cap outlined in the regulations is consistent with the nation's overarching economic policies."⁷²

Following efforts by the Islamic Consultative Assembly to establish a pathway for car imports, and after several rounds of revisions by the Expediency Discernment Council, the bill was ultimately approved but has yet to be implemented. This legislation not only legalizes car imports but also includes provisions to bolster domestic production. On 5 August 27, 2022, Minister of Industry Fatemi-Amin announced, "Car imports will commence from October 16"⁷³. However, the Iranian government has not yet resumed negotiations for the entry of cars from France, and Chinese companies remain a priority.

6-3 Iran's Economic Strategy Under Sanction

The purpose of this section is to present alternative strategies to compensate for the damages caused by sanctions and their impact on imports and exports. Although accessing the level of effectiveness and implementing these strategies is challenging due to the difficulty in obtaining internal information from Iran, these plans are mentioned as initiatives announced by policymakers. These strategies include diversifying trade partners, enhancing domestic production capabilities, and seeking new markets for exports. By focusing on these areas, the aim is to reduce the economic

⁷¹ Tabnak Magazine. (2022, December 12). Response of the Ministry of IMT to the Potential Ban on Importing Cars from China. Tabnak. <https://www.tabnak.ir/004qLe>

⁷² Mashregh Newspaper. (2022, October 9). Which cars will be imported? mshregh.ir/1424657.

⁷³ ISNA News Agency. (2022, August 27). Car imports to begin from the first of Mehr; importers have until September 10 to submit their requests. Retrieved from <https://isna.ir/xdMj63>

impact of sanctions and create a more resilient economy. Although assessing the level of effectiveness and implementing these strategies is challenging due to the difficulty in obtaining internal information from Iran, these are merely listed as plans announced by policymakers.

Iran's economy has experienced profound transformations due to the relentless and tightening grip of international sanctions. These sanctions have imposed severe economic pressure, forcing Iran to re-evaluate and shift its strategic priorities. Initially, the country pursued ambitious development goals, but the focus has now shifted to economic survival. In this challenging environment, Iran has adopted an import substitution strategy, which prioritizes the domestic production of goods over imports. This approach aims to enhance self-sufficiency, but often at the cost of efficiency and cost-effectiveness, reflecting the trade-offs required under significant economic constraints. This strategic pivot underscores the adaptability and resilience of Iran's economic planning in response to external pressures.

6-3-1 Focus on Survival and Import Substitution

The trajectory of Iran's economy has been profoundly altered by the ever-tightening grip of sanctions. The relentless economic pressure has forced a shift in strategic priorities, from ambitious development goals to a primary focus on ensuring economic survival. This challenging environment has led Iran to adopt an import substitution strategy, prioritizing the domestic production of goods over imports, even at the expense of efficiency and cost-effectiveness.

This reactive approach stems from the significant challenges posed by sanctions. International sanctions have restricted Iran's access to critical global markets, cutting the country off from essential technology and financial resources. In response, the Iranian government has implemented a two-pronged strategy: diversifying its trade partnerships and emphasizing the promotion of non-oil exports. While neighboring and Asian countries have emerged as important trade partners, Iran is actively seeking to expand its trade relationships beyond this region. The promotion of non-oil exports is another pillar of Iran's economic strategy under sanctions. By reducing its reliance on oil revenue, Iran aims to lessen the impact of sanctions that specifically target the oil sector.

However, while import substitution has become a cornerstone of Iran's economic strategy under sanctions, it is essential to acknowledge the inherent limitations of this approach. To achieve

sustainable economic growth in the long term, Iran must address several structural challenges that hinder its economic potential. Bureaucracy, corruption, and an overdependence on oil revenues are significant obstacles that need to be tackled. Additionally, investments in critical areas such as technology, human capital development, and regional integration are crucial for unlocking Iran's full economic potential. By addressing these structural weaknesses and adopting a more diversified and market-oriented economic approach, coupled with strategic policy reforms, Iran can lay the foundation for sustained economic growth and prosperity.⁷⁴

6-3-2 Labor Law Reforms and Support for the Workforce

The Iranian government has implemented a series of comprehensive labor law reforms aimed at improving working conditions and social protections for workers within both industrial and trade sectors. The consensus was that the labor law needed updates to reflect new conditions and satisfy the demands of workers, employers, and the evolving labor market. Initially, when the law was enacted in 1990, employers objected, but the government and workers did not. Over time, both parties recognized the need for revisions. However, due to divergent opinions, governmental changes, and lack of coordination between the government and the Islamic Consultative Assembly, comprehensive reform has been neglected, leading to significant issues. While some actions were taken and a bill proposed during the thirteenth administration, full implementation of labor law reform has not occurred. By enacting these legislative changes, the government seeks to create a more equitable and just labor market, fostering a positive working environment that prioritizes the well-being of the workforce.

Since Labor law reform is essential for addressing labor market needs, national development, and wealth creation. Wages are one of the most critical concerns for workers. If the head of a household does not earn enough to meet the family's needs and ensure their well-being, the family risks disintegration. Over the past 20 years, we have witnessed a decline in the living standards of workers, retirees, and employees, who have been adversely affected and do not receive adequate wages in line with economic conditions, Significant emphasis has been placed on expanding social

⁷⁴ Mostofi, F. (2024, August 6). Strategies to Enhance the Value of Iranian Exports. *Donyaye Eghtesad*, Issue, 5859. Retrieved from <https://donya-e-eqtesad.com/fa/tiny/news-4014937>

safety nets to ensure that workers receive adequate support in times of need. This includes enhancing benefits related to health, unemployment, and retirement. Alongside these improvements, there have been concerted efforts to provide special incentives for entrepreneurs and business owners, aiming to create a more conducive environment for business growth and innovation.

Furthermore, the government has tried to develop and introduce educational and training programs designed to upgrade the skills and competencies of the workforce. These initiatives wanted focus on technical and professional development, helping workers acquire new skills that are relevant to the evolving demands of the market. By equipping individuals with advanced skills, the programs seek to boost overall productivity and efficiency in the workplace.

The ultimate goal of these reforms is to foster a more robust and capable workforce that can contribute effectively to the growth and development of domestic industries. Enhanced working conditions and increased skill levels are expected to lead to higher quality production and improved economic performance, benefiting both employers and employees.⁷⁵ To achieve this objective, the Ministry of Cooperatives, Labor, and Social Welfare has prepared a draft of the "Bill for Amending Certain Articles of the Labor Law." Pursuant to Article 22 of the Cabinet's Internal Regulations, this draft was submitted to the First Vice President in August 2023 for further legal procedures and is currently under review by specialized commissions.⁷⁶ However, there has been no information regarding its approval and implementation to date.

6-3-3 Role of Banks and Financial Institutions

Banks and financial institutions constitute a cornerstone of Iran's trade ecosystem. By providing essential financial services and credit facilities, they significantly contribute to the growth and development of the country's trade sector.

⁷⁵ Islamic Consultative Assembly. (2012, February 5). *Law on Continuous Improvement of the Business Environment* (Article 29, Notification Number 75027/500). Parliament Research Center. Retrieved from <https://rc.majlis.ir/fa/law/show/810363>

⁷⁶ Piri, F. (2023, August 3). Labor law reform: A bill in support of workers. IRNA (Islamic Republic News Agency). Retrieved from www.irna.ir/xjMsGP.

Recent reforms within the banking industry have been instrumental in enhancing access to financial resources for traders. These reforms encompass a range of measures aimed at reducing interest rates, improving service delivery, and facilitating liquidity management. By offering specialized financial products tailored to the unique needs of traders, banks have empowered businesses to navigate the complexities of international trade with greater ease. These developments signify a concerted effort to create a more conducive business environment in Iran. By fostering a robust financial infrastructure, the country aims to strengthen its position in the global marketplace.

Ultimately, the laws and regulations governing the import and export of specific goods in Iran are designed to ensure the health, safety, and quality of products, as well as to support domestic production and meet local market needs. These laws and regulations are regularly updated to adapt to economic changes and market demands, facilitating international trade and strengthening the country's economy. Adhering to these regulations and utilizing efficient control systems can improve trade conditions and enhance the competitiveness of Iranian products in international markets.⁷⁷

6-3-4 International Cooperation Based on shifting Iran's Economic Partners

One significant change in Iran's trade regulations is the enhancement of international cooperation. This effort includes forming bilateral and multilateral trade agreements with neighboring countries and other global partners, participating in international trade conferences and summits, and engaging with international organizations. The goal of these initiatives is to increase access to new markets, reduce trade barriers, and improve economic and trade relations with other countries.

For example, agreements with members of the Eurasian Economic Union and strengthening trade relations with neighboring countries like Turkey and Iraq are part of these efforts. The Shanghai Cooperation Organization, which encompasses over 60% of the Eurasian region and more than

⁷⁷ Government Information Base. (2021, November 2). Importance of Financial Stability and Close Cooperation between Banks and the Capital Market for Market Stability. Retrieved from <https://dolat.ir/detail/373107>

40% of the world's population, represents a significant potential for expanding trade and deepening economic cooperation in various forms.⁷⁸

A comprehensive analysis of Iran's trade partners and the diversification of these partnerships since 1992 reveals a notable shift. The trade share of China, the UAE, Iraq, and Turkey has seen substantial growth, whereas the trade share of Germany, Italy, and Japan has experienced a significant decline. However, in the past three decades, Iran's international trade has increasingly become limited to a few specific countries, resulting in a decrease in the diversity of its trade partners. This trend could be seen as an indicator of the growing isolation of Iran's economy. The status of the country's trade partners has changed dramatically since the 1990s. To understand this shift, one need only look at the year 1992: Germany accounted for 24.6% of Iran's trade, followed by Japan with 11.2% and Italy with 9.3%. In the same year, the UAE had a 5.8% share, Turkey 3%, Iraq 2.5%, Russia 2%, and China only 1.4%.

However, this trend has completely transformed over time. By the first 11 months of 2023, China had taken the top spot with 28.1%, and the UAE followed with 23.6%. Additionally, Turkey's share increased to 10.1%, and Iraq's share rose to 8.7%, marking significant growth. Meanwhile, Germany, Japan, and Italy lost their prominent positions in Iran's trade. By 2023, Germany's share had fallen to 2.1%, Japan's to 0.1%, and Italy's to 0.8%.⁷⁹

6-3-5 Development of Small and Medium Enterprises (SMEs)

Each year, the Central Bank announces updated guidelines reflecting the current economic conditions and the impact of sanctions. Recently, the evolving financial conditions and new sanctions have brought increased focus on small and medium-sized enterprises (SMEs).

In recent years, industrial parks, which have attracted significant foreign investment, have been particularly noteworthy. According to data, these parks have successfully drawn foreign capital

⁷⁸ Lotfinia, Y. (2023, November 25). Iran's Move to Join the Eurasian Economic Union: Benefits and Challenges. *IRNA News Agency*. Retrieved from <https://irna.ir/xjP4FY>

⁷⁹ Iran-Italy Chamber of Commerce. (2024, April 2). What changes have occurred in the composition of Iran's business partners in the past 32 years? Retrieved from <https://iiccim.ir/what-changes-have-occurred-in-the-composition-of-irans-business-partners-in-the-past-32-years/>

and achieved substantial export growth. For instance, in a recent year, the reported investment in industrial parks exceeded \$4 billion, highlighting their role in bolstering the industrial sector.

Supporting SMEs remains a priority for the Iranian government within the framework of changes in trade regulations. SMEs play a crucial role in job creation, production, and export activities. The government is committed to enhancing and expanding these enterprises through various measures, including:

- **Financial Facilities:** Offering financial support and incentives to SMEs to help them access the necessary capital for growth and development.
- **Tax Incentives:** Implementing favorable tax policies to reduce the financial burden on SMEs and encourage their expansion.
- **Training and Consultation Programs:** Providing educational and advisory services to help SMEs improve their industrial and technological capabilities.
- **Infrastructure Development:** Establishing industrial parks and providing appropriate infrastructure to support SME activities and foster industrial development.

The goal of these initiatives is to strengthen the SME sector by addressing its unique challenges and leveraging its potential to contribute significantly to the national economy. By creating a supportive environment and offering targeted assistance, the government aims to enhance the competitiveness and sustainability of SMEs in Iran.⁸⁰

7- Conclusion

The analysis presented in this research underscores the profound impact of international sanctions on Iran's trade control system and broader economic landscape. Over the past several decades, sanctions have evolved from targeted measures aimed at specific activities, such as nuclear proliferation and terrorism, to more comprehensive strategies designed to exert maximum economic pressure on Iran. The imposition of these sanctions by major global actors, including the United States, the European Union, and the United Nations, has resulted in

⁸⁰ Donyaye Eghtesad. (2020, July 12). Priority of Granting Facilities to SMEs. *Donyaye Eghtesad Magazine*, Issue 4933.

significant disruptions to Iran's economic stability, prompting the country to adapt in various ways to mitigate these effects.

Iran's trade control system has experienced significant transformation in response to the sustained pressure of international sanctions. The sanctions, particularly those targeting critical sectors like energy, finance, and trade, have forced Iran to overhaul its traditional trade practices and develop new mechanisms to maintain its economic activities. The economic tools and mechanisms that have been established go beyond mere trade management and are primarily mechanisms for controlling the flow of imports and exports to align with Iran's foreign policy directives following the imposition of sanctions. This transformation is most evident in the way Iran has restructured its trade control system to ensure continued access to essential goods and services, despite the tightening noose of international restrictions.

One of the key adaptations within Iran's trade control system has been the development and implementation of advanced regulatory frameworks aimed at increasing transparency and compliance with both domestic and international requirements. The establishment of systems like the Comprehensive Customs System (CCS) has enabled Iran to better monitor and regulate imports and exports, ensuring that trade flows remain consistent with national priorities while minimizing the risks of violating international sanctions. These systems have not only improved the efficiency of Iran's trade operations but have also provided a degree of protection against external pressures by allowing for more precise control over the flow of goods and financial transactions.

In addition to technological advancements, Iran's trade control system has also evolved through strategic policy shifts aimed at reducing dependency on traditional trading partners and fostering new alliances. The diversification of trade routes and the pursuit of alternative markets have been crucial in mitigating the impact of sanctions. By expanding its trade relationships with countries outside the Western sphere of influence, particularly in Asia and the Middle East, Iran has been able to secure vital economic partnerships that provide an economic lifeline despite ongoing restrictions.

Moreover, the shift towards self-reliance and the promotion of domestic industries have been central to Iran's strategy for maintaining economic stability. The sanctions have accelerated Iran's efforts to develop its industrial base, reduce imports, and increase the production of goods domestically. This focus on internal development has not only helped in stabilizing the economy but has also fostered a sense of resilience against external economic shocks.

The evolution of Iran's trade control system in response to sanctions highlights the dynamic interplay between external pressures and domestic policy innovation. While sanctions have undoubtedly imposed severe constraints on Iran's economy, they have also spurred significant changes in the country's trade control infrastructure. These changes reflect a broader strategy of adaptation and resistance, as Iran seeks to navigate the challenges posed by international sanctions while preserving its economic sovereignty and strategic interests. The long-term implications of these developments continue to unfold, offering critical insights into the effectiveness of sanctions as a tool for international diplomacy and the capacity of nations to adapt to sustained external pressures.

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