



COVID-19 and U.S. Iran Policy

March 25, 2020

Overview

The spread in Iran of COVID-19 (the disease caused by the virus SARS-CoV-2) has raised questions about the possible effects of U.S. policy on the capacity of Iran to cope with the outbreak. Since May 2018, when the Trump Administration withdrew the United States from the 2015 multilateral Iran nuclear agreement (Joint Comprehensive Plan of Action, JCPOA), the Administration has reimposed all U.S. sanctions that were in place prior to that agreement and added further sanctions. The U.S. sanctions target virtually every economic sector in Iran, but at least technically exempt transactions involving humanitarian items. Iranian officials argue that the U.S. sanctions—which constitute the core of a U.S. “[maximum pressure](#)” campaign intended to alter Iran’s objectionable behavior—are impeding Iran’s ability to respond to the coronavirus outbreak.

Scope of the Problem

Iran has been the epicenter of the COVID-19 pandemic within the Middle East region, reporting a number of [COVID-19 infections](#) and deaths from the infection (27,000 and 2,075, respectively, as of March 25) many times higher than those of other regional states. Several senior members of key regime decision-making bodies [have died of the disease](#), and numerous officials, including about 10% of Iran’s 290-seat parliament, have tested positive for COVID-19. Reflecting widespread skepticism of Iran’s transparency about the extent of the outbreak, Secretary of State Michael [Pompeo has said](#) that Iran’s regime has “lied about [the extent of] the Wuhan virus outbreak [in Iran] for weeks.” Whereas unrest has broken out in Iran in recent months over reduction of fuel subsidies and other government actions, to date the coronavirus outbreak apparently has not sparked renewed domestic unrest. Iran has also become more isolated in the region as several of its neighbors have banned travel to and from Iran.

U.S. Policy Dimension

[Iranian leaders](#), as well as a wide variety of observers claim that the extensive U.S. sanctions on Iran are [impeding Iran’s ability to cope](#) with the COVID-19 outbreak. As noted above, since 2018, the Trump Administration has articulated a policy of “maximum pressure” on Iran, based on [imposition of economic sanctions](#) on every sector of Iran’s economy. Sales to Iran of humanitarian items, including medicine and medical equipment, are generally exempt from any U.S. sanctions. However, executives of many global

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firms, particularly major international banks, have indicated that they are uncertain about how U.S. sanctions might be applied and have therefore refrained from [undertaking any transactions](#) involving Iran, including sales of humanitarian items.

[Some accounts](#) draw a direct connection between the effect of U.S. sanctions and Iran's struggles to contain COVID-19 cases. As the number of confirmed cases in Iran increased, Iran began to face shortages of personal protective equipment and other items needed to address the disease: respiratory masks and contamination suits, symptom relief medication, disinfectants, and related equipment. Iran produces many of these products domestically, but [supplies in pharmacies and stores](#) began to run low in February 2020. Iranian importers have had difficulty importing new inventory, at least in part because of U.S. sanctions, and Iran's factories are struggling to ramp up production to keep up with the rising demand. Yet, there are no proven treatments or preventive vaccines for COVID-19, making it difficult to conclude that U.S. sanctions are preventing Iran from curing those infected. Iran has shut numerous shrines and other religious and cultural sites to encourage social distancing, but President Hassan [Rouhani has refused](#), to date, to impose broad lockdowns and quarantines to prevent the further spread of COVID-19.

As the spread of COVID-19 worsened in Iran, U.S. officials undertook measures to try to ensure that U.S. policy did not impede Iran's response to the disease. In early March 2020, [U.S. officials issued guidance](#) that transactions involving Iran's foreign exchange assets held abroad, when used to buy humanitarian items, would not face U.S. sanctions. The intent of that guidance was to facilitate Iran's ability to use its Central Bank accounts abroad, which might [hold nearly \\$90 billion](#) in total assets, to purchase medical supplies. The revised guidance came after U.S. officials, in January 2020, activated a new "[Swiss Humanitarian Channel](#)" program, announced in October 2019, to facilitate sales of humanitarian items to Iran. That channel represented an apparent response to longstanding criticism that U.S. [sanctions are having the unintended effect](#) of prohibiting the flow of medicines to Iran.

The issue of U.S. and international assistance to Iran also has arisen. At a White House briefing on the COVID-19 pandemic on March 20, [Secretary of State Michael Pompeo stated](#) that "We've offered to provide assistance to the Iranians as well. I talked with Dr. [Tedros Ghebreyesus] from the World Health Organization about this. We're doing everything we can to facilitate both the humanitarian assistance moving in, and to make sure that financial transactions connected to that can take place as well. There is no sanction on medicines going to Iran." On March 22, [Iran's Supreme Leader Ayatollah Ali Khamene'i](#) confirmed that Iran refused U.S. foreign assistance, claiming that the offer was a U.S. plot to spread the disease in Iran rather than help Iran combat it. The Administration may support, or at least abstain from blocking, Iran's request for a \$5 billion loan from the International Monetary Fund (IMF) that Iran says it needs to respond to the COVID-19 outbreak. [Section 1621](#) of the International Financial Institutions Act (22 U.S.C. 262p-4q) et seq.) requires the United States to vote against a loan by the IMF or other international financial institutions to any country designated as a state sponsor of terrorism. Iran is so designated. However, the Administration has discretion to refrain from a negative vote for humanitarian reasons in certain circumstances.

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