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# Iran: Background and U.S. Policy

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## Iran: Background and U.S. Policy

Congress has played a major role in shaping U.S. policy toward Iran, authorizing extensive U.S. sanctions, seeking to influence diplomatic engagement with Iran, funding and authorizing support to U.S. partners facing Iranian threats, and enacting legislation that allows Congress to review agreements related to Iran's nuclear program, a key concern for U.S. policymakers. The October 2023 attack on Israel led by the Palestinian group Hamas, a U.S.-designated terrorist organization which Iran has long supported, and ongoing attacks against U.S. forces and other targets in the region by other Iran-backed groups, have attracted significant congressional attention. U.S. and Israeli officials have stated that they do not have evidence of the Iranian government's direct involvement in the October 7 attack, but that they hold Iran broadly complicit because of its support for Hamas. The Iranian government's human rights violations and close relationships with Russia and China also pose challenges for the United States. Selected issues on which Congress has engaged include:

**Iran's Foreign Policy and Support for Terrorist Groups.** Iran's government seeks, among other goals, to erode U.S. influence in the Middle East while projecting power in neighboring states by backing a range of regional armed groups, including some U.S.-designated Foreign Terrorist Organizations (FTOs). Since the outbreak of war in Gaza, Iran-backed groups throughout the Middle East (which sometimes refer to themselves as the "axis of resistance") have conducted attacks against U.S. forces in Iraq and Syria and international shipping in the Red Sea, drawing retaliatory U.S. military action. Observers debate the nature of Tehran's relationships with and influence over these groups. While neither the United States nor Iran appears to seek a direct military confrontation, the evolving threat perceptions, political calculations, and strategic goals of multiple actors in a dynamic combat environment could increase the risk of such a conflict.

**Prisoner Exchange and Fund Transfer.** In September 2023, the United States and Iran concluded a prisoner exchange and the United States facilitated the transfer of \$6 billion in Iranian funds from South Korea to Qatar. Some in Congress have criticized the move, and the Biden Administration has reportedly agreed to prevent Iran's use of the funds since October 2023.

**Iran's Nuclear Program.** U.S. policymakers have for decades signaled concern that Tehran might seek to develop nuclear weapons, though Iranian leaders deny such ambitions. The JCPOA imposed restraints on Iran's nuclear program in exchange for relief from most U.S. and U.N. Security Council economic sanctions. In 2018, the Trump Administration ceased U.S. participation in the JCPOA and reimposed sanctions that the Obama Administration had lifted. Since the reimposition of U.S. sanctions, Iran has decreased its compliance with the nuclear commitments of the JCPOA. Iran barred some international inspectors and reportedly increased its nuclear activities in the context of heightened regional tensions in late 2023. Biden Administration attempts to revive the 2015 Joint Comprehensive Plan of Action (JCPOA) via indirect negotiations stalled in fall 2022.

**Nationwide Protests.** The September 2022 death of 22-year-old Mahsa Amini, who was arrested for allegedly violating Iran's mandatory *hijab* (or head covering) law and died in custody, sparked nationwide unrest. The regime cracked down violently against protesters, killing hundreds, and restricted internet use. The protests appear to have subsided but the grievances underlying them remain unresolved.

**Sanctions.** Since 1979, successive U.S. Administrations have imposed economic sanctions in an effort to change various aspects of Iran's behavior, often at the direction of Congress. U.S. sanctions include measures targeting Iran's energy sector, its arms and weapons-related technology transfers, its financial sector, and various non-oil industries and sectors.

**Iran's Military and Foreign Policy.** In addition to its support for allied groups throughout the Middle East, Iran maintains what U.S. officials describe as "the largest inventory of ballistic missiles in the region" and has developed a range of unmanned aerial vehicles (UAVs). These activities give Iran considerable regional influence, which the Iranian government has sought to reinforce by taking steps to strengthen its economic and military ties with China and Russia—for example, by exporting UAVs to bolster Russian military operations in Ukraine and selling oil to China.

The U.S. government has used various policy tools, including comprehensive sanctions, limited military action, and diplomatic engagement with leaders in Iran and other countries to counter what the U.S. officials describe as Iranian threats to U.S. interests. As of 2024, the Iranian government faces some challenges at home but retains considerable influence in the Middle East region, is developing new ties to Russia and China (including via its prospective BRICS membership), and remains able to contest U.S. interests in the region and beyond. In this context, Members of Congress may consider questions related to U.S. and Iranian policy goals, the stability of Iran's government, and efforts to counter Iran's regional influence and deter its nuclear development activities.

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## Overview and Issues for Congress

The Islamic Republic of Iran, the second-largest country in the Middle East by size (after Saudi Arabia) and population (after Egypt), has for decades played an assertive, and by many accounts destabilizing, role in the region and beyond. Iran's influence stems from its oil reserves (the world's fourth largest), its status as the world's most populous Shia Muslim country, and its active support for political and armed groups (including several U.S.-designated terrorist organizations) throughout the Middle East. Attacks by those groups against Israel, U.S. forces, and other targets in the region have increased in late 2023 and early 2024.

**Figure 1. Iran at a Glance**



<b>Geography</b>	Total Area: 1,648,195 sq km (636,372 sq. miles), 2.5 times the size of Texas
<b>People</b>	Population: 87,590,873 (17 <sup>th</sup> largest in the world) % of Population 14 or Younger: 23.5% Religion: Muslim 99.6% (90-95% Shia, 5-10% Sunni), other (Zoroastrian, Christian, and Jewish) 0.3% (2016) Literacy: 85.5% (male 90.4%, female 80.8%) (2016)
<b>Economy</b>	GDP Per Capita (at purchasing power parity): \$19,550 (2023) Real GDP Growth: 2.9% (2022); 3.2% (2023 forecast) Year-on-year Inflation: 45.3% (2023 forecast) Unemployment: 10% (2023 forecast)

**Source:** Graphic created by CRS. Fact information (2023 estimates unless otherwise specified) from Economist Intelligence Unit, International Monetary Fund, and Central Intelligence Agency, *The World Factbook*.

Since the Iranian Revolution that ushered in the Islamic Republic in 1979, Iran has presented a major foreign policy challenge for the United States. Successive U.S. Administrations have identified Iran and its activities as a threat to the United States and its interests. Of particular concern are the Iranian government's nuclear program, its military capabilities, its support for armed factions and terrorist groups, and its partnerships with Russia and China. The U.S. government has condemned the Iranian government's human rights violations and detention of U.S. citizens and others, and has wrestled with how to support protest movements in Iran. The U.S. government has used a range of policy tools intended to reduce the threat posed by Iran, including sanctions, limited military action, and diplomatic engagement. Despite these efforts,

Iran's regional influence and strategic capabilities remain considerable and have arguably increased.

Congress has played a key role in shaping U.S. policy toward Iran, providing for extensive U.S. sanctions, providing aid and authorizing arms sales for partners threatened by Iran, seeking to influence negotiations over Iran's nuclear program, and enacting legislation that allows Congress to review related agreements. Much of that legislative energy was related to the 2015 Joint Comprehensive Plan of Action (JCPOA), which restricted Iran's nuclear program in return for relief from some U.S. and international sanctions; the Trump Administration ceased U.S. participation in the agreement in 2018. In 2021-2022, as the Biden Administration engaged in negotiations intended to reestablish mutual compliance with the JCPOA, Members expressed a range of views, some in support of and others opposed to renewing the agreement.

The prominence of the JCPOA in U.S. policy towards Iran waned in late 2022 as negotiations stalled amid other developments, such as nationwide unrest in Iran and Iran's provision of weapons to Russia for use in Ukraine. In September 2023, the United States and Iran concluded a prisoner exchange and the United States facilitated the transfer of \$6 billion in Iranian assets from South Korea to Qatar, attracting significant congressional attention. The October 2023 attack on Israel led by Hamas, an Iran-backed Palestinian Sunni Islamist group (and U.S. designated Foreign Terrorist Organization, or FTO), and subsequent attacks on U.S. forces and other targets by Iran-supported groups in Iraq, Syria, and Yemen, have dramatically escalated tensions in the region. Nevertheless, U.S. officials reportedly assess that the Iranian government does not seek direct military confrontation with the United States or Israel.<sup>1</sup> Iran may use these conflicts as an opportunity to advance longstanding goals like leading opposition to Israel and reducing U.S. regional influence.

## **Rising Regional Tensions and Conflict: The United States, Iran, and the "Axis of Resistance"**

The October 7, 2023, Hamas-led assault on Israel, subsequent conflict in Gaza, and ongoing attacks by other Iran-backed groups throughout the Middle East have significant implications for the United States. These Iran-backed groups, which sometimes refer to themselves as the "axis of resistance," have for decades threatened various U.S. interests but are now engaged militarily against U.S. forces and partners simultaneously across multiple fronts to a degree not previously seen. Observers debate the varying nature of Tehran's relationships with and influence over these groups. While neither the United States nor Iran appears to seek direct military engagement, the evolving threat perceptions, political calculations, and strategic goals of multiple actors in a dynamic combat environment could increase the risk of such a conflict.<sup>2</sup>

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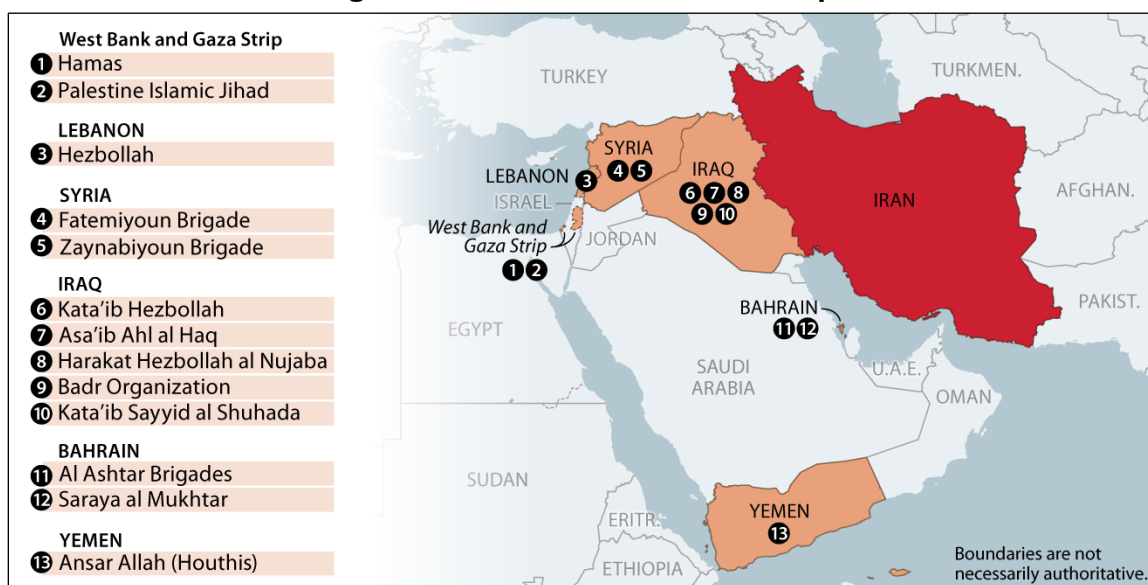
<sup>1</sup> David Sanger et al., "U.S. and Iran battle through proxies, warily avoiding each other," *New York Times*, January 14, 2024.

<sup>2</sup> Katie Bo Lillis, "US intelligence currently assesses Iran and its proxies are seeking to avoid a wider war with Israel," *CNN*, November 2, 2023; Peter Baker, "As U.S. and militias engage, White House worries about a tipping point," *New York Times*, January 21, 2024.

## Background: Iran's Foreign Policy

Iran's foreign policy appears to reflect overlapping and at times contradictory motivations, including countering perceived threats from the United States and U.S. partners like Israel;<sup>3</sup> positioning Iran as the defender of Shia Muslim communities and other groups that the Iranian government views as oppressed, such as the Palestinians; and the pursuit of Iran's geopolitical interests.<sup>4</sup> To promote its priorities, Iran has backed a number of political and armed groups in the Middle East (see **Figure 1**) as part of what some experts call a "forward defense" strategy, guided by the principle that "Iran should fight its opponents outside its borders to prevent conflict inside Iran."<sup>5</sup> Backing these groups also arguably gives the Iranian government a measure of plausible deniability as it seeks to advance its goals while avoiding direct conflict with the United States.<sup>6</sup>

**Figure 1. Selected Iran-Backed Groups**



**Source:** Created by CRS, based on U.S. Department of State, *Country Reports on Terrorism* and other open sources.

Experts debate the nature of Iranian support for these groups. Some contend that the groups are "mere appendages" of Iran, following Tehran's orders.<sup>7</sup> Others assert that these groups have

<sup>3</sup> Per the 2023 Annual Threat Assessment, "The Iranian regime sees itself as locked in an existential struggle with the United States and its regional allies." Office of the Director of National Intelligence, *Annual Threat Assessment of the U.S. Intelligence Community*, February 6, 2023.

<sup>4</sup> For example, Iran has supported Christian-inhabited Armenia, rather than Shia-inhabited Azerbaijan, possibly in part to thwart cross-border Azeri nationalism among Iran's large Azeri minority. Borzou Daraghi, "Nagorno-Karaback: An unexpected conflict that tests and perplexes Iran," Atlantic Council, November 9, 2020; Vali Kaleji, "Iran increasingly uneasy about threats to common border with Armenia," *Eurasia Daily Monitor*, October 14, 2022.

<sup>5</sup> Amr Yossef, "Upgrading Iran's military doctrine: An offensive 'forward defense,'" Middle East Institute, December 10, 2019; Alex Vatanka, *Whither the IRGC of the 2020s? Is Iran's Proxy Warfare Strategy of Forward Defense Sustainable?* New America, January 15, 2021.

<sup>6</sup> Nakissa Jahanbani et al., "How Iranian-backed militias do political signaling," *Lawfare*, December 18, 2023.

<sup>7</sup> Patrick Wintour, "As Middle East crisis grows, does Iran have control of its proxy forces?" *Guardian*, January 6, 2024.

“varying degrees of autonomy” and sometimes have interests, and take actions, independent of those of the Iranian government.<sup>8</sup>

U.S. officials characterize the Iranian government’s support for these groups as a threat to U.S. interests and forces in the region. The 2023 intelligence community threat assessment predicted that

Iran will continue to threaten U.S. interests as it tries to erode U.S. influence in the Middle East, entrench its influence and project power in neighboring states and minimize threats to regime security.... Iranian-supported proxies will seek to launch attacks against U.S. forces and persons in Iraq and Syria, and perhaps in other countries and regions.<sup>9</sup>

The Iranian government’s support for regional groups is coordinated by Iran’s **Islamic Revolutionary Guard Corps (IRGC)**, a parallel military institution to Iran’s regular armed forces that plays a major role in Iran’s economy and is entrusted with the primary task of defending the Iranian government from challenges to its authority at home and abroad.<sup>10</sup> The IRGC component “responsible for conducting covert lethal activities outside of Iran, including asymmetric and terrorist operations,” is the **IRGC-Qods Force (IRGC-QF)**.<sup>11</sup> Both the IRGC and the IRGC-QF are designated for U.S. sanctions under terrorism-related authorities, as are many of the regional armed groups that they support.

Iran’s government has also taken direct action to advance its interests, aggressively asserting claims to its territorial waters (including the 2016 seizure of U.S. sailors) and conducting military strikes on anti-Iran groups (including January 2024 missile strikes in Syria and Pakistan), and attacking shipping in the Persian Gulf.

## Iran, Hamas, and the October 7, 2023, Attacks on Israel<sup>12</sup>

The Iranian government has backed Hamas for decades, going back nearly to the group’s inception in the 1980s.<sup>13</sup> Since Hamas took de facto control of the Gaza Strip in 2007, it has engaged in several rounds of conflict with Israel, with continued reported material and financial support from Iran. Iran has aided Hamas despite Israeli-Egyptian restrictions on the transit of people and goods in place for Gaza since 2007; reported Iranian-supplied rockets provide Hamas with the ability to target population centers in central Israel.<sup>14</sup> In a September 2020 publication,

<sup>8</sup> Sara Harmouch and Nakissa Jahanbani, “How much influence does Iran have over its proxies?” *Defense One*, January 23, 2024.

<sup>9</sup> Office of the Director of National Intelligence, *Annual Threat Assessment of the U.S. Intelligence Community*, February 6, 2023.

<sup>10</sup> National Counterterrorism Center, “Foreign Terrorist Organizations: Islamic Revolutionary Guard Corps,” March 2022.

<sup>11</sup> Ibid. Executive Order 13224 of September 23, 2001, “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism,” 66 *Federal Register* 49079, as amended.

<sup>12</sup> For more, see CRS In Focus IF12549, *Hamas: Background, Current Status, and U.S. Policy*, by Jim Zanotti and CRS Report R47754, *Israel and Hamas October 2023 Conflict: Frequently Asked Questions (FAQs)*, coordinated by Jim Zanotti, Jeremy M. Sharp, and Christopher M. Blanchard.

<sup>13</sup> The Iranian government has backed terrorist groups since the early 1980s, focused initially on supporting the Shia Islamist group Hezbollah in Lebanon and pressuring Persian Gulf monarchies to cease their support for Iraq in its war against Iran. After the first Palestinian *intifada* (or uprising) broke out in 1987 (the same year Hamas was founded), Iran began to focus more on supporting Palestinian groups. See U.S. State Department, *Patterns of Global Terrorism: 1986*, January 1988 and *Patterns of Global Terrorism: 1989*, April 1990.

<sup>14</sup> Fabian Hinz, “Iran transfers rockets to Palestinian groups,” Wilson Center, May 19, 2021; Adnan Abu Amer, “Report outlines how Iran smuggles arms to Hamas,” *Al-Monitor*, April 9, 2021.



the State Department reported that “Iran historically provided up to \$100 million annually in combined support to Palestinian terrorist groups, including Hamas.”<sup>15</sup>

U.S. and Israeli officials have stated publicly that despite the Iranian government’s longstanding support for Hamas, they do not have evidence that the government of Iran played a direct role in planning or carrying out the October 7 assault.<sup>16</sup> Still, they have contended that “Iran is broadly complicit in these attacks,” given that Iran has been Hamas’s “primary backer for decades,” as Deputy National Security Advisor Jon Finer said on October 9.<sup>17</sup> Media accounts, citing a variety of unnamed U.S. and foreign officials, have varied in their assessments of Iranian involvement, some indicating that Tehran may have been surprised by the October 7 attacks.<sup>18</sup>

For their part, Iranian officials have denied direct involvement but expressed enthusiastic support for the assault. An October 7, 2023, post on the X account of Supreme Leader Ayatollah Ali Khamenei stated, “God willing, the cancer of the usurper Zionist regime will be eradicated at the hands of the Palestinian people and the Resistance forces throughout the region.”<sup>19</sup> In an October 10, 2023, speech, Khamenei praised the Hamas attack but said that Iran was not “behind this move.”<sup>20</sup> According to a press report citing Iranian state media, President Ebrahim Raisi told Russian President Vladimir Putin in an October 16 call that Palestinian groups are “free and independent in making any decision they need, and naturally we support all the measures the resistance takes to combat Zionist aggression.”<sup>21</sup>

## U.S. Policy amid “Axis of Resistance” Attacks

The Biden Administration has sought to avoid the regionalization of the Israel-Hamas war beyond Gaza, including the direct intervention of third parties or the spread of sustained conflict to other countries.<sup>22</sup> At the same time, the Administration has sought to deter and respond to potentially escalatory attacks from Iran-backed groups in Syria, Iraq, Yemen, and Lebanon.

From the outset of the conflict in October 2023, U.S. officials have consistently stated that Iran and the other nonstate actors it supports should not interfere. National Security Advisor Jake Sullivan said on October 15, “We have means of communicating privately with Iran,” and also that the United States had used those means to convey the message that Iran should not become involved.<sup>23</sup> For their part, Iranian officials have connected regional conflict to the war in Gaza; Iran’s foreign minister said in mid-January 2024 that an end to the conflict in Gaza “will lead to

<sup>15</sup> U.S. State Department, *Outlaw Regime: A Chronicle of Iran’s Destructive Activities*, September 2020.

<sup>16</sup> U.S. State Department, “Secretary Antony J. Blinken with Dana Bash of CNN’s State of the Union,” October 8, 2023; “No evidence yet of Iran link to Hamas attack, says Israeli military,” *Guardian*, October 9, 2023.

<sup>17</sup> “U.S. to offer ‘every kind of support’ to Israel on hostages, White House advisor says,” CBS News, October 9, 2023.

<sup>18</sup> Summer Said et al., “Iran helped plot attack on Israel over several weeks,” *Wall Street Journal*, October 8, 2023; Joby Warrick et al., “Hamas received weapons and training from Iran, officials say,” *Washington Post*, October 9, 2023; Warren Strobel, “Iran knew Hamas was planning attacks, but not timing of scale, U.S. says,” *Wall Street Journal*, October 11, 2023; Zachary Cohen et al., “Initial US intelligence suggests Iran was surprised by the Hamas attack on Israel,” *CNN*, October 11, 2023; Adam Entous et al., “Early intelligence shows Hamas attack surprised Iranian leaders, U.S. says,” *New York Times*, October 11, 2023.

<sup>19</sup> Supreme Leader Ayatollah Ali Khamenei (@khamenei\_ir), X post, October 7, 2023, at [https://twitter.com/khamenei\\_ir/status/1710752170096701778](https://twitter.com/khamenei_ir/status/1710752170096701778). Khamenei days earlier said much the same thing in public remarks. “Normalization with Israel like ‘backing the wrong horse’: Leader,” *Tehran Times*, October 3, 2023.

<sup>20</sup> “Inside story: Iran’s supreme leader strongly rejects role in Hamas attack,” *Amwaj.media*, October 10, 2023.

<sup>21</sup> “Putin, Raisi discuss Israel-Gaza war,” *Rudaw*, October 16, 2023.

<sup>22</sup> See, for example, U.S. State Department, Secretary Antony J. Blinken at a Press Availability, January 9, 2024.

<sup>23</sup> CBS News, “Transcript: National Security Adviser Jake Sullivan on ‘Face the Nation,’” October 15, 2023.



an end of military actions and crises in the region.”<sup>24</sup> He earlier, in October 2023, stated that Iran “cannot remain a spectator” in Israel’s war against Hamas and that if measures to end Israeli operations in Gaza fail, “it is highly probable that many other fronts will be opened.”<sup>25</sup>

Two of those fronts appear to be Iraq and Syria, where Iran-backed Iraqi groups have significantly escalated attacks on U.S. forces, and Yemen, where the Iran-backed Houthi movement has targeted international shipping. U.S. forces have responded with air and missile strikes in both theaters. Clashes between Israel and Lebanese Hezbollah, perhaps Iran’s closest and strongest regional proxy, have also increased, raising the specter of regional conflict. While U.S. officials reportedly assess that Iranian leaders seek to avoid direct confrontation with the United States or Israel, the growing number of regional flashpoints raises the risk of such a conflict.<sup>26</sup>

## **Iraq and Syria**

Iran has deeply rooted ties in neighboring Iraq, where it backs a number of powerful military and political actors, and with Syria, where it has for decades allied with the ruling Asad regime. Since 2017, Iran-backed groups have conducted attacks against U.S. forces (which have been in Iraq and Syria since 2014 and 2015, respectively, to support counter-Islamic State operations), sometimes prompting U.S. retaliatory airstrikes.

Those exchanges of fire have become significantly more frequent since October 2023.<sup>27</sup> As of late January 2024, Iran-backed groups have reportedly attacked U.S. forces in Iraq and Syria 140 times since October 17, 2023 (52 times in Iraq, 75 in Syria);<sup>28</sup> media sources affiliated with the “Islamic Resistance in Iraq,” a catch-all descriptor for Iran-backed Iraqi militia groups operating in Iraq and Syria, have claimed many of these actual or attempted assaults.<sup>29</sup> These attacks have mostly used one-way attack drones and rockets, but also include at least one short-range ballistic missile attack. Those attacks have left “nearly 70” U.S. personnel injured, with most returning to duty “in short order,” per the Pentagon.<sup>30</sup>

In response, the U.S. military has conducted occasional airstrikes on Iran-linked targets in both Syria and Iraq, including some facilities used by IRGC personnel. In reporting to Congress about December 2023 strikes against facilities in Iraq used by Iran-affiliated groups, President Biden stated those strikes, “were intended to degrade and disrupt the ongoing series of attacks against the United States and our partners, and to deter Iran and Iran-backed militia groups from conducting or supporting further attacks on United States personnel and facilities.”<sup>31</sup> On January 4, a U.S. drone strike in Baghdad killed a leader of a prominent Iran-backed Iraqi militia (Harakat al Nujaba, a U.S. Specially Designated Global Terrorist group), prompting Iraqi Prime Minister

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<sup>24</sup> “Iran foreign minister in Davos: Attacks on Israel will end if Gaza war stops,” *Reuters*, January 17, 2024.

<sup>25</sup> Maziar Motamedi, “Iran warns Israel of regional escalation if Gaza ground offensive launched,” *Al Jazeera*, October 15, 2023.

<sup>26</sup> Sanger, et al., op cit.

<sup>27</sup> Carla Babb, “US forces attacked 151 times in Iraq, Syria during Biden presidency,” *VOA*, November 17, 2023.

<sup>28</sup> U.S. Department of Defense (DOD), “Pentagon Press Secretary Maj. Gen. Pat Ryder Holds a Press Briefing,” January 4, 2024.

<sup>29</sup> For a frequently updated collection of claimed attacks, see Michael Knights, Amir al-Kaabi, and Hamdi Malik, “Tracking Anti-U.S. Strikes in Iraq and Syria During the Gaza Crisis,” Washington Institute for Near East Policy, December 5, 2023.

<sup>30</sup> Peter Baker, “As U.S. and militias engage, White House worries about a tipping point,” *New York Times*, January 21, 2024.

<sup>31</sup> Letter from President Biden to President pro tempore Patty Murray, December 27, 2023 (EC3157, January 9, 2023).

Mohammed Shia al Sudani to announce that he would seek to end the U.S.-led coalition military presence in Iraq. The United States has around 2,500 troops in Iraq; the government of Iraq could invite some U.S. forces to remain in Iraq to continue training pursuant to bilateral security negotiations.<sup>32</sup> Changes to the U.S. military presence in Iraq could have consequences for U.S. operations against Islamic State fighters in Syria.

Separately, in January 2024, Iran carried out missile strikes in Syria and the Kurdistan Region of Iraq against what it claimed were sites used by the Islamic State and Israeli intelligence, respectively.<sup>33</sup> The Syria strikes were retaliation for the January 3, 2024, bombings in the Iranian city of Kerman that killed nearly 100 people and were claimed by the Islamic State, which has carried out terrorist attacks in Iran for years.<sup>34</sup> The Iranian missile strikes in Iraq drew condemnation from the governments of the United States, many European countries, and Iraq itself, with the Iraqi government recalling its ambassador from Iran to protest the “attack on its sovereignty.”<sup>35</sup>

### Yemen and the Red Sea<sup>36</sup>

The Iranian government has long backed the Houthi movement in Yemen (who are Shia Muslims, though from a different sect from that which predominates in Iran), reportedly giving the group material support for years before the Houthis took control of Yemen’s capital and much of the north in 2014 and 2015.<sup>37</sup> Since then, the Houthis have battled forces of the Republic of Yemen and the Saudi-led Arab coalition that backs it. Iran’s support to the Houthi movement in Yemen—including supplying ballistic and cruise missiles, as well as unmanned systems—has enabled the group to target U.S. partners, including Saudi Arabia and the United Arab Emirates.<sup>38</sup>

The Houthis have espoused categorically anti-Israel views for decades, and since October 2023 have claimed several missile attacks against Israel, with many having been intercepted by Israeli or U.S. forces.<sup>39</sup> More significantly, the Houthis have asserted they are demonstrating solidarity with the Palestinians by attacking vessels in the Red Sea, conducting over 30 attacks on commercial shipping lanes in the Red Sea between November 19, 2023, and January 22, 2024. These attacks have compelled many international shipping companies to abandon that waterway (through which approximately 10% of global trade transits) in favor of lengthier, costlier routes, which could have an impact on the global economy.<sup>40</sup>

The United States deployed military assets to the region to respond to the Houthi attacks, thwarting Houthi hijackings of commercial vessels and exchanging fire with Houthi forces.<sup>41</sup> In

<sup>32</sup> Ahmed Rasheed and Phil Stewart, “Iraq prepares to close down US-led coalition’s mission – PM,” Reuters, January 5, 2024.

<sup>33</sup> “Iran launches missile strikes in Iraq and Syria citing security threats,” *Al Jazeera*, January 15, 2024.

<sup>34</sup> Farzin Nadimi, “Terrorist bombings in Iran: Implications and potential responses,” Washington Institute for Near East Policy, January 5, 2024.

<sup>35</sup> “Iraq recalls ambassador from Tehran after Iranian missiles strike Kurdish region,” *France 24*, January 16, 2024.

<sup>36</sup> For more, see CRS Insight IN12301, *Houthi Attacks in the Red Sea: Issues for Congress*, by Jeremy M. Sharp.

<sup>37</sup> See, for example, David Schenker, “Who’s behind the Houthis?” Washington Institute for Near East Policy, February 22, 2010.

<sup>38</sup> Seth Jones et al., “The Iranian and Houthi war against Saudi Arabia,” Center for Strategic and International Studies, December 21, 2021; Bruce Reidel, “Yemen war spreads to the UAE,” Brookings Institution, February 10, 2022.

<sup>39</sup> Jon Gambrell, “Yemen’s Houthi rebels claim attacks on Israel, drawing their main sponsor Iran closer to Hamas war,” Associated Press (AP), October 31, 2023.

<sup>40</sup> Alex Mills, “The long shadow of the Red Sea shipping disruption,” Atlantic Council, January 8, 2024.

<sup>41</sup> “US Navy seizes attackers who held Israel-linked tanker,” *BBC News*, November 27, 2023.

November 2023, the Houthis reportedly shot down a U.S. MQ-9 Reaper unmanned aerial vehicle.<sup>42</sup> In mid-December 2023, the United States announced the establishment of Operation Prosperity Guardian “with the goal of ensuring freedom of navigation for all countries and bolstering regional security and prosperity.”<sup>43</sup> On January 11, 2024, after warnings from the United States and other countries, the U.S. and U.K. militaries launched airstrikes on a number of Houthi targets across Yemen; Houthi attacks (including one targeting a U.S. warship) and U.S. airstrikes continued in subsequent days. Also on January 11, 2024, U.S. forces seized a vessel “conducting illegal transport of advanced lethal aid from Iran to resupply Houthi forces;” two Navy SEALs were lost at sea in that operation and later declared deceased.<sup>44</sup> U.S. officials have reportedly discussed plans for a “sustained” campaign to degrade Houthi capabilities, raising questions about U.S.-backed efforts to end the war in Yemen and meet humanitarian needs there.<sup>45</sup>

## Lebanon and Hezbollah

Hezbollah, backed by Iran since the group’s 1982 founding, is one of the most powerful non-state armed groups in the world, arguably making it the “crown jewel” of Iranian foreign policy.<sup>46</sup> One former U.S. official has described Lebanese Hezbollah as “Iran’s most successful – and most lethal – export,” and assessed that Hezbollah is “no longer merely a subsidiary or proxy of Iran but rather an almost equal partner.”<sup>47</sup> The group reportedly has 100,000 fighters and also holds seats in Lebanon’s parliament, where it is a member of the caretaker government. Hezbollah (along with Iran) has played a crucial role in supporting the Assad regime in neighboring Syria, where it has been the target of repeated Israeli airstrikes. Hezbollah fought an inconclusive 34-day war with Israel in 2006 that “killed some 1,100 people and displaced nearly a million.”<sup>48</sup> Hezbollah has a longstanding, though formerly tense, relationship with Hamas.<sup>49</sup>

Since the October 2023 Hamas attacks, Hezbollah has periodically exchanged fire with Israeli forces, prompting the evacuation of tens of thousands of residents from northern Israel and southern Lebanon. These cross-border clashes have reportedly left over 160 Hezbollah fighters dead and raised fears of a broader escalation in which Hezbollah’s arsenal of some 150,000 missiles and rockets could pose a grave threat to Israeli strategic sites and population centers.<sup>50</sup>

<sup>42</sup> Eric Schmitt, “Houthi Rebels Shot Down a U.S. Drone Off Yemen’s Coast, Pentagon Says,” *New York Times*, November 8, 2023.

<sup>43</sup> U.S. Department of Defense, “Statement from Secretary of Defense Lloyd J. Austin III on ensuring freedom of navigation in the Red Sea,” December 18, 2023.

<sup>44</sup> U.S. CENTCOM, “USCENTCOM seizes Iranian advanced conventional weapons bound for Houthis,” January 16, 2024; “CENTCOM status update on missing Navy SEALs,” January 21, 2024.

<sup>45</sup> Missy Ryan et al., “As Houthis vow to fight on, U.S. prepares for sustained campaign,” *Washington Post*, January 20, 2024.

<sup>46</sup> Dana Khraiche, “Iran’s ‘crown jewel’ has much to lose from a full-blown war with Israel,” *Bloomberg*, November 17, 2023.

<sup>47</sup> Jeffrey Feltman and Kevin Huggard, “On Hezbollah, Lebanon, and the risk of escalation,” Brookings Institution, November 17, 2023.

<sup>48</sup> Robbie Gramer, “Inside Biden’s Push to Head Off an Israel-Hezbollah War,” *Foreign Policy*, January 11, 2024.

<sup>49</sup> Feltman and Huggard, op. cit.

<sup>50</sup> Yehoshua Kalisky, “Precision Missiles, UAVs, and Tens of Thousands of Fighters: Hezbollah’s Order of Battle,” Institute for National Security Studies, October 19, 2023; “Visiting north, IDF chief says war in Lebanon becoming much more likely,” *Times of Israel*, January 17, 2024.

After a January 3, 2024, Israeli strike in Beirut that killed a senior Hamas leader, Hezbollah leader Hassan Nasrallah vowed a “response and punishment.”<sup>51</sup>

Israeli officials have threatened wider military action in Lebanon unless they determine that Hezbollah has withdrawn sufficiently far from border areas to permit the safe return of around 80,000 evacuated Israelis to their homes in the north. However, Hezbollah has insisted that Israel halts fighting in Gaza before this can happen.<sup>52</sup> While Israeli Prime Minister Benjamin Netanyahu has expressed hope for a diplomatic resolution, as sought by U.S. officials, he has said Israel is willing to “work in other ways.”<sup>53</sup> Israeli’s military chief of staff stated in mid-January 2024 that the likelihood of broader escalation in the coming months “is much higher than it was in the past.”<sup>54</sup> One source has asserted that the major parties have compelling reasons to avoid conflict: Israel’s probable reluctance to add a second major front, Hezbollah’s apparent concern that destruction in Lebanon from another war with Israel could seriously damage its domestic popularity, and Iran’s likely desire to keep Hezbollah intact as a deterrent to direct Israeli action against Iran.<sup>55</sup> Regardless of the parties’ intentions, accidents or miscalculations on either side could lead to broader conflict, raising questions about if and how such conflict might involve the United States.

## U.S.-Iran Relations: Background, Recent Approaches, and Developments in 2023

U.S.-Iran relations have been mostly adversarial since the 1979 Iranian Revolution, which deposed Shah Mohammad Reza Pahlavi, an authoritarian monarch who was a close U.S. ally, and led to the establishment of the Islamic Republic. The United States and Iran have not had diplomatic relations since 1980, following the U.S. Embassy hostage crisis.<sup>56</sup>

U.S.-Iran tensions continued in the following decade, punctuated by armed confrontations in the Gulf and Iran-backed terrorist attacks (including the 1983 bombings of the U.S. Embassy and Marine barracks in Beirut). U.S. sanctions, first imposed in 1979, continued apace with the U.S. government designating Iran as a state sponsor of acts of international terrorism in 1984, an embargo on U.S. trade with and investment in Iran in 1995, and the first imposition of secondary sanctions (U.S. penalties against firms that invest in Iran’s energy sector) in 1996.

After bilateral relations briefly improved during the late 1990s, tensions rose again in the early 2000s amid reports of Iran’s armed support for Palestinian groups and the revelation of previously undisclosed nuclear facilities in Iran.<sup>57</sup> The United Nations Security Council imposed sanctions on Iran’s nuclear program in response to concerns that the program could enable Iranian nuclear weapons development. The Obama Administration sought to address concerns about Iran’s nuclear program through continued economic pressure via sanctions as well as through

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<sup>51</sup> Sarah Dadouch and Kareem Fahim, “Hezbollah leader vows ‘punishment’ after killing of Hamas official in Lebanon,” *Washington Post*, January 3, 2024.

<sup>52</sup> Raya Jalabi et al., “US pushes for Israel-Hizbollah deal as diplomacy window narrows,” *Financial Times*, January 17, 2024.

<sup>53</sup> Israeli Prime Minister’s Office, “PM Netanyahu’s Remarks at the Start of the Government Meeting,” January 7, 2024.

<sup>54</sup> “Visiting north, IDF chief says war in Lebanon becoming much more likely,” *Times of Israel*.

<sup>55</sup> “Another war could break out on the Israel-Lebanon border,” *Economist*, January 4, 2024.

<sup>56</sup> For an account of the crisis, see Mark Bowden, *Guests of the Ayatollah* (Atlantic Monthly Press, 2006).

<sup>57</sup> John Ghazvinian, *America and Iran: A History, 1720 to the Present* (Knopf, 2021).

diplomatic engagement.<sup>58</sup> That engagement culminated in the 2015 multilateral nuclear agreement (Joint Comprehensive Plan of Action, JCPOA) that placed limits on Iran's nuclear activities in exchange for relief from most economic sanctions.

President Trump announced on May 8, 2018, that the United States would cease participating in the JCPOA, reinstating all sanctions that the United States had waived or terminated in meeting its JCPOA obligations. In articulating a new Iran strategy in May 2018, then-Secretary of State Mike Pompeo said that due to "unprecedented financial pressure" through reimposed U.S. sanctions, U.S. military deterrence, and U.S. advocacy, "we hope, and indeed we expect, that the Iranian regime will come to its senses."<sup>59</sup> He also laid out 12 demands for any future agreement with Iran, including the withdrawal of Iranian support for armed groups throughout the region. Iran's leaders rejected U.S. demands and insisted the United States return to compliance with the JCPOA before engaging on a new or revised accord.

The Trump Administration policy of applying "maximum pressure" on Iran after late 2018 took two main forms: additional sanctions and limited military action. From mid-2019 on, Iran escalated its regional military activities, at times coming into direct military conflict with the United States. Several Iranian attacks against oil tankers in the Persian Gulf and a September 2019 drone attack against Saudi Arabian oil production facilities further increased tensions. Those tensions peaked with the Trump Administration's January 3, 2020, killing of IRGC-Qods Force commander Qasem Soleimani in Baghdad, and Iran's retaliatory ballistic missile strikes against U.S. forces in Iraq and subsequent attacks by Iran-backed forces in Iraq against U.S. targets.<sup>60</sup> Iran also began exceeding JCPOA-mandated limits on its nuclear activities in 2019, according to the International Atomic Energy Agency (IAEA).<sup>61</sup>

## Biden Administration Policy

As a presidential candidate in 2020, Joe Biden described the Trump Administration's Iran policy as a "dangerous failure" that had isolated the United States from its international partners, allowed Iran to increase its stockpiles of enriched uranium, and raised tensions throughout the region.<sup>62</sup> The Biden Administration initiated indirect talks with Iran and after months of halting negotiations, reports in August 2022 indicated that all sides were close to achieving agreement before stalling over Iran's reported revival of some demands that the other parties had considered closed issues.<sup>63</sup> The Iranian government's violent crackdown against nationwide unrest the following month (see Protests below) further diminished the prospects of a new agreement.<sup>64</sup>

In its October 2022 National Security Strategy, the Administration laid out its policy toward Iran, stating the United States would "pursue diplomacy to ensure that Iran can never acquire a nuclear weapon, while remaining postured and prepared to use other means should diplomacy fail," and that "we will respond when our people and interests are attacked."<sup>65</sup> The Strategy also states, "we

<sup>58</sup> White House, "Statement by the President on Iran," July 14, 2015.

<sup>59</sup> "After the Deal: A New Iran Strategy," Heritage Foundation, May 21, 2018.

<sup>60</sup> For more, see CRS Report R46148, *U.S. Killing of Qasem Soleimani: Frequently Asked Questions*.

<sup>61</sup> See, for example, IAEA Board of Governors, *Verification and monitoring in the Islamic Republic of Iran in light of United Nations Security Council resolution 2231 (2015)*, November 11, 2019.

<sup>62</sup> Joe Biden, "There's a smarter way to be tough on Iran," *CNN*, September 13, 2020.

<sup>63</sup> Ishaan Tharoor, "Is the Iran deal worth salvaging?" *Washington Post*, August 26, 2022; "Iran nuclear talks in 'stalemate,' says EU foreign policy chief," *Arab News*, September 15, 2022.

<sup>64</sup> Nahal Toosi, "'Everyone thinks we have magic powers': Biden seeks a balance on Iran," *Politico*, October 25, 2022.

<sup>65</sup> White House, *National Security Strategy*, October 12, 2022.



will always stand with the Iranian people striving for the basic rights and dignity long denied them by the regime in Tehran.”

## Developments in 2023

In 2023, friction between the United States and Iran persisted, with Iranian or Iran-backed attacks against commercial shipping in the Gulf, and the continued application of U.S. sanctions, including the interdiction of a tanker transporting Iranian oil. At the same time, the Biden Administration reportedly engaged directly with Iranian diplomats in an attempt to decrease tensions. In September 2023, the United States and Iran conducted mutual prisoner releases and the United States facilitated the transfer of \$6 billion in Iranian funds from South Korea to Qatar.<sup>66</sup>

**Attacks on Gulf Shipping.** The United States seeks to safeguard freedom of navigation in the Persian Gulf, which has long been a flashpoint for U.S.-Iran tensions.<sup>67</sup> U.S. Naval Forces Central Command’s Fifth Fleet, based in Bahrain, said in a July 2023 statement that “Iran has harassed, attacked or seized nearly 20 internationally flagged merchant vessels” since 2021.<sup>68</sup> This includes the Iranian seizure of two tankers in April-May 2023 and the attempted seizure of two more in July 2023.<sup>69</sup> Iran’s April-May seizures came weeks after the United States confiscated the *Suez Rajan*, a Marshall Islands-flagged tanker suspected of carrying Iranian crude oil to China in violation of U.S. sanctions.<sup>70</sup> The Justice Department hailed the confiscation and sale of the oil as “the first-ever criminal resolution involving a company that violated sanctions” related to trade in Iranian oil.<sup>71</sup> In January 2024, the Iranian navy announced that it had seized the *Suez Rajan* (renamed the *St Nikolas*) in the Gulf of Oman, drawing U.S. condemnation.<sup>72</sup>

**Sanctions.**<sup>73</sup> The Biden Administration has not issued any new sanctions authorities but has continued to designate for sanctions Iranian and third-country-based entities pursuant to existing U.S. laws and executive orders. Entities designated in 2023 include individuals and companies involved in Iran’s unmanned aerial vehicle (UAV) and ballistic missile programs; individuals involved in the production, sale, and shipment of Iranian oil to Asia; individuals involved in the crackdown on protesters and in other human rights abuses; senior IRGC officials involved in the wrongful detention of U.S. nationals in Iran; and individuals and companies facilitating the Iranian regime’s internet censorship.<sup>74</sup>

<sup>66</sup> “U.S. reaches deal with Iran to free Americans for jailed Iranians and funds,” op. cit.

<sup>67</sup> See White House, “Fact Sheet: The United States strengthens cooperation with Middle East partners to address 21<sup>st</sup> century challenges,” July 16, 2022.

<sup>68</sup> U.S. Naval Forces Central Command, “U.S. prevents Iran from seizing two merchant tankers in Gulf of Oman,” July 5, 2023.

<sup>69</sup> Iranian forces seized the Marshall Islands-flagged *Advantage Sweet* and the Panama-flagged *Niovi* in April-May 2023, and attempted to seize the Marshall Islands-flagged *TRF Moss* and the Bahamas-flagged *Richmond Voyager* on July 5, 2023. “U.S. prevents Iran from seizing two merchant tankers in Gulf of Oman,” op. cit. Both tankers, and their crews, appear to remain in Iran.

<sup>70</sup> Nahmeh Bozorgmehr et al., “US seizure of oil vessel triggered Iran tanker capture,” *Financial Times*, April 28, 2023.

<sup>71</sup> U.S. Department of Justice, “Justice Department announces first criminal resolution involving the illicit sale and transport of Iranian oil in violation of U.S. sanctions,” September 8, 2023.

<sup>72</sup> “Iran seizes oil tanker involved in U.S.-Iran dispute in Gulf of Oman,” Reuters, January 15, 2024.

<sup>73</sup> For more, see CRS In Focus IF12452, *U.S. Sanctions on Iran*, by Clayton Thomas.

<sup>74</sup> See U.S. Department of the Treasury, Office of Foreign Assets Control press releases “Treasury sanctions international procurement network supporting Iran’s missile and military programs,” June 6, 2023; “Treasury sanctions companies involved in production, sale, and shipment of Iranian petrochemicals and petroleum,” February 9, 2023; (continued...)



**Prisoner Exchange and Transfer of Iranian Assets.** In September 2023, Iran released five detained U.S. nationals who had been held in Iran on what the State Department called “baseless charges.”<sup>75</sup> In exchange, the Biden Administration granted clemency to five imprisoned Iranian nationals who had been charged with or convicted of violating U.S. sanctions and failing to register as a foreign agent.<sup>76</sup> In a statement welcoming the return of U.S. detainees, President Biden thanked the leaders of Qatar and Oman for their role in facilitating the agreement and announced new sanctions on Iranian entities responsible for the wrongful detentions.<sup>77</sup> President Biden also stated

The U.S. State Department has a longstanding travel warning that states: “Do not travel to Iran due to the risk of kidnapping and the arbitrary arrest and detention of U.S. citizens.” All Americans should heed those words and have no expectation that their release can be secured if they do not.

In connection with the exchange, the United States also facilitated the transfer of \$6 billion of Iranian funds from South Korea (where they had been held as payment for pre-2019 exports of Iranian oil to South Korea) to Qatar.<sup>78</sup> In a September 17, 2023, press briefing, one unnamed U.S. official stated that the funds in Qatar would be “available only for transactions for humanitarian goods [namely, food, medicine, medical devices, and agricultural products] with vetted third-party, non-Iranian vendors,” as part of what the Administration has termed “the humanitarian channel in Qatar” or HC.<sup>79</sup> In explaining why the Administration had facilitated the transfer of funds, an unnamed senior U.S. official said that while similar humanitarian transactions were permitted with respect to the South Korea-based funds, “the situation in Korea was unique because of difficulties to convert the Korean currency,” which “made it difficult to actually do humanitarian transactions.”<sup>80</sup> According to the U.S. Department of the Treasury, the Qatari banks operating the humanitarian channel “have committed to stringent due diligence measures,” and the United States “will closely monitor the HC and will take appropriate action should Iran attempt to use these funds for purposes other than permitted humanitarian transactions.”<sup>81</sup>

Observers and some Members of Congress responded in varying ways to the exchange and transfer of funds. Some characterized the transfer of Iran’s South Korea-based funds to Qatar as a “ransom” that incentivizes hostage-taking.<sup>82</sup> Some of these critics argued that even if the regime is not able to use the unfrozen funds for malign activities, the regime’s access to additional funds

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“Treasury sanctions senior Iranian officials overseeing violent protest suppression and censorship,” April 24, 2023; “Treasury sanctions officials of Iranian intelligence agency responsible for detention of U.S. nationals in Iran,” April 27, 2023; “Treasury sanctions Iranian company aiding in internet censorship,” June 2, 2023.

<sup>75</sup> U.S. Department of State, “Sixth anniversary of Iran’s wrongful detention of Baquer Namazi,” February 22, 2022.

<sup>76</sup> Elizabeth Hagedorn, “Iran reveals names of 5 citizens sought in US prisoner deal,” *Al-Monitor*, September 11, 2023; Ellen Knickmeyer et al., “Americans released by Iran arrive home, tearfully embrace their loved ones and declare: ‘Freedom!’” Associated Press, September 19, 2023.

<sup>77</sup> White House, “Statement from President Joe Biden on the return of American detainees from Iran,” September 18, 2023. The sanctions designations were made pursuant to E.O. 14078, which implements the Robert Levinson Hostage Recovery and Hostage-taking Accountability Act (Title III, Subtitle A of P.L. 116-260).

<sup>78</sup> The Administration issued a waiver permitting banks in several European countries to engage in the transfer of the Iranian funds from South Korea to Qatar. Lee, “The US moves to advance a prisoner swap deal,” *op. cit.*

<sup>79</sup> White House, “Background press call by senior Administration officials on the return of American detainees from Iran,” September 17, 2023.

<sup>80</sup> *Ibid.*

<sup>81</sup> Office of Foreign Assets Control, “Frequently Asked Question 1134: What is the humanitarian channel in Qatar,” September 18, 2023.

<sup>82</sup> See, for example, Senator Ted Cruz, “Sen. Cruz blasts Biden-Iran nuclear side deal on hostages,” September 11, 2023.

for humanitarian purposes will free up other resources for those destabilizing activities.<sup>83</sup> Supporters of the arrangement lauded the Administration for securing the release of U.S. citizens held abroad (a stated Administration priority) and argued that supporting the conditional release of Iranian funds for humanitarian purposes may deprive the regime of an excuse for domestic economic problems.<sup>84</sup>

The October 2023 Hamas-led attack on Israel appears to have changed U.S. policy with respect to the funds. According to press reports and Members of Congress, Deputy Treasury Secretary Wally Adeyemo told legislators in October 2023 that in the wake of Hamas's assault on Israel, U.S. and Qatari officials had agreed to prevent the use of the funds to finance the purchase of humanitarian goods for export to Iran for an unspecified period of time.<sup>85</sup> In November 2023, the House passed legislation (H.R. 5961) that would, among other provisions, direct the President to impose sanctions on any foreign financial institution that engages in transactions with the \$6 billion in Iranian funds. In testimony the following month, a State Department official said of the funds, "Not a penny of this money has been spent and these funds will not go anywhere anytime soon."<sup>86</sup>

## Iran's Relations with China and Russia

Iran has acted to maintain and expand economic and military ties with Beijing and Moscow, reflecting what analysts describe as a "look East" strategy favored by hardline leaders, including President Raisi and Supreme Leader Khamenei.<sup>87</sup> In 2024, Iran is slated to formally join the BRICS group of emerging economies (Brazil, Russia, India, China, and South Africa), along with Argentina, Egypt, Ethiopia, Saudi Arabia, and the United Arab Emirates.<sup>88</sup> The economic and political impacts of Iran's BRICS membership are likely to be minimal, at least in the short term, but Iranian leaders characterize joining the group as a "strategic victory" that will buttress the Iranian government's efforts to resist U.S.-led attempts to isolate and pressure it (including sanctions).<sup>89</sup>

For the past several decades, the **People's Republic of China** (PRC or China) has taken steps to deepen its financial presence in numerous sectors of the Iranian economy, as well as to expand military cooperation. China is Iran's largest trade partner and the largest importer of Iran's crude oil and condensates, despite U.S. sanctions; Chinese imports of Iranian oil grew to nearly a million barrels per day in 2023.<sup>90</sup> Over the years, the PRC has become a source of capital for Iran,

<sup>83</sup> See, for example, Chairman Michael McCaul, "McCaul statement on release of Americans held hostage in Iran," September 18, 2023.

<sup>84</sup> See, for example, Senator Ben Cardin, "Cardin statement on the release of Americans from Iran," September 18, 2023; Ryan Costello, "The latest Iran deal is a win-win," *Defense One*, August 10, 2023.

<sup>85</sup> Jeff Stein and Jacob Bogage, "U.S., Qatar agree to stop Iran from tapping \$6 billion fund after Hamas attack," *Washington Post*, October 12, 2023.

<sup>86</sup> House Financial Services Subcommittee on Oversight and Investigations holds hearing on Iran's financial support of terrorism, *CQ Congressional Transcripts*, December 13, 2023.

<sup>87</sup> Javad Heiran-Nia, "How Iran's interpretation of the world order affects its foreign policy," Atlantic Council, May 11, 2022; Pierre Pahlavi, "The origins and foundations of Iran's 'Look East' policy," Australian Institute of International Affairs, October 4, 2022.

<sup>88</sup> Farnaz Fassihi et al., "What to know about the 6 nations joining BRICS," *New York Times*, August 23, 2023.

<sup>89</sup> "Deep dive: Iran hails invite to join BRICS, but few expect major dividends," *Amwaj.media*, August 25, 2023; Farnaz Fassihi, "With BRICS invite, Iran shrugs off outcast status in the West," *New York Times*, August 25, 2023.

<sup>90</sup> U.S. Energy Information Administration, "Country Analysis Executive Summary: Iran," November 17, 2022; "China is buying the most Iranian crude oil in a decade, Kpler says," August 15, 2023; Muyu Xu, "China's 'teapot' refiners mop up swelling Iranian crude, defying U.S. curbs," Reuters, September 14, 2023.

in line with China's Belt and Road Initiative (BRI), which includes a series of energy and transportation corridors extending throughout Eurasia. On March 27, 2021, Iran and the PRC signed a 25-year China-Iran Comprehensive Cooperation Plan "to tap the potential for cooperation in areas such as economy and culture and map out prospects for cooperation in the long run."<sup>91</sup> Before doing so was banned by the U.N. Security Council, the PRC openly supplied Iran with advanced conventional arms, including cruise missile-armed fast patrol boats that the IRGC Navy operates in the Persian Gulf; anti-ship missiles; ballistic missile guidance systems; and other technology related to the proliferation of weapons of mass destruction (WMD).<sup>92</sup> U.S. officials also report that PRC-based entities have supplied Iran-backed armed groups with UAV technology.<sup>93</sup> The United States has imposed sanctions on a number of PRC-based entities for allegedly supplying Iran's missile, nuclear, and conventional weapons programs.

### March 2023 China-Iran-Saudi Arabia Agreement

In March 2023, Iran, Saudi Arabia, and China announced that Iran and Saudi Arabia would reestablish diplomatic relations (suspended since 2016), reopen embassies in each other's capitals, and reinstate exchanges pursuant to bilateral accords signed during a previous period of Saudi-Iranian rapprochement (in 1998 and 2001).<sup>94</sup> In the China-brokered agreement, Iran and Saudi Arabia affirmed their respect for "non-interference in internal affairs of states." One media source indicates that specific elements include a Saudi pledge to "tone down critical coverage of Iran" by a Saudi-linked media outlet and an Iranian pledge to halt arms shipments to the Houthis in Yemen.<sup>95</sup> The Saudi and Iranian foreign ministers exchanged visits in June and August 2023, and both countries have reopened their embassies.

The Biden Administration indicated that it conditionally welcomed the agreement, while highlighting uncertainty over "whether the Iranians are going to honor their side of the deal" given the legacy of Iran's support to the Houthis in Yemen.<sup>96</sup> CENTCOM Commander General Kurilla cautioned, "They have had diplomatic relations in the past while they were still shooting at each other in the past."<sup>97</sup> Some Administration officials have characterized the agreement as "a good thing" that advances the U.S. goal of "de-escalation in the Middle East," while downplaying the significance of the deal and of China's role in brokering it.<sup>98</sup> Observers have expressed a range of views. Some view the PRC initiative as a sea change in regional diplomacy and as an indication of China's increased influence, while others see it as a modest win for China.<sup>99</sup> The implications of the deal for U.S. policy also elicited a range of views. Some experts perceive the deal as a major blow to U.S. credibility, while others

<sup>91</sup> Ministry of Foreign Affairs of the PRC, "Wang Yi Holds Talks with Iranian Foreign Minister Mohammad Javad Zarif," March 28, 2021.

<sup>92</sup> Defense Intelligence Agency, *Iran Military Power: Ensuring Regime Survival and Securing Regional Dominance*, 2019.

<sup>93</sup> Testimony of Department of State Assistant Secretary of State for Near Eastern Affairs Barbara Leaf, in U.S. Congress, Senate Foreign Relations Subcommittee on Near East, South Asia, Central Asia and Counterterrorism, *China's Role in the Middle East*, hearing, 117<sup>th</sup> Cong., 2<sup>nd</sup> sess., August 4, 2022.

<sup>94</sup> See Ministry of Foreign Affairs of the Kingdom of Saudi Arabia (@KSAmofaEN), "Joint Trilateral Statement by the Kingdom of #Saudi Arabia, the Islamic Republic of #Iran, and the People's Republic of #China," X post, March 10, 2023, <https://twitter.com/KSAmofaEN/status/1634180277764276227>. For more on past agreements, see Faris Almaari, "Clarifying the status of previous Iran-Saudi agreements," Washington Institute for Near East Policy, March 16, 2023.

<sup>95</sup> Summer Said et al., "China plans new Middle East summit as diplomatic role takes shape," *Wall Street Journal*, March 12, 2023; Dion Nissenbaum et al., "Iran agrees to stop arming Houthis in Yemen as part of pact with Saudi Arabia," *Wall Street Journal*, March 16, 2023.

<sup>96</sup> Patsy Widakuswara, "White House welcomes Chinese-brokered Saudi-Iran deal," *VOA*, March 10, 2023.

<sup>97</sup> "Senate Armed Services Committee Holds Hearing on Fiscal Year 2024 Defense Authorization Request for Central Command and Africa Command," CQ Congressional Transcripts, March 16, 2023.

<sup>98</sup> Nahal Toosi and Phelim Kine, "U.S. officials project calm as China stuns world with Iran-Saudi deal," *Politico*, March 13, 2023.

<sup>99</sup> "Experts react: Iran and Saudi Arabia just agreed to restore relations, with help from China. Here's what that means for the Middle East and the world," Atlantic Council, March 10, 2023.

argue that, despite China's foray into Middle Eastern diplomacy, the United States remains the essential partner to Gulf Arab states.<sup>100</sup>

President Raisi and Saudi Crown Prince Mohammad bin Salman reportedly spoke for the first time days after the October 7, 2023, Hamas assault on Israel, and Raisi conducted his first visit to Saudi Arabia in November 2023. In December 2023, Saudi and Iranian diplomats traveled to Beijing to reaffirm their commitment to the March 2023 agreement as part of the first meeting of the Saudi-Chinese-Iranian Tripartite Committee.<sup>101</sup> At that meeting, the three countries reportedly called for the "immediate cessation of military operations in Gaza."<sup>102</sup>

Following **Russia's** invasion of Ukraine in early 2022, Russia and Iran—both under extensive U.S. sanctions—have deepened their relationship. Since August 2022, Iran has transferred armed unmanned aerial vehicles (UAVs, or drones) to Russia, which has used them against a range of targets in Ukraine. These transfers (and potential transfers of ballistic missiles) have implications for the trajectory of the conflict in Ukraine as well as for U.S. efforts to support Ukraine's defense against Russia's invasion. In late 2022, Administration officials warned that the relationship between Iran and Russia was advancing beyond the sale of drones; a National Security Council spokesperson stated, "Russia is offering Iran an unprecedented level of military and technical support that is transforming their relationship to a full-fledged defense partnership."<sup>103</sup> According to media reports, Iran and Russia have constructed and are operating a factory in Russia to produce thousands of Iranian-designed drones for Russia's war in Ukraine.<sup>104</sup>

## Iran's Political System

Iran's Islamic Republic was established in 1979, ending the autocratic monarchy of the Shah, and is a hybrid political system that defies simple characterization. Iran has a parliament, regular elections, and some other features of representative democracy. In practice, though, the government is authoritarian, ranking 154<sup>th</sup> out of 167 countries in the Economist Intelligence Unit's 2022 Democracy Index.<sup>105</sup> Shia Islam is the state religion and the basis for all legislation and jurisprudence, and political contestation is tightly controlled, with ultimate decisionmaking power in the hands of the Supreme Leader. That title has been held by Ayatollah Ali Khamenei since 1989, when he succeeded the Islamic Republic's founding leader, Ayatollah Ruhollah Khomeini. In September 2022, Khamenei appeared to suffer a brief bout of significant illness; prospects for leadership succession are unclear.

Iran's top directly elected position is the presidency, which, like the directly elected unicameral parliament (the Islamic Consultative Assembly, also known as the *Majles*) and every other organ of Iran's government, is subordinate to the Supreme Leader. Incumbent president Ebrahim Raisi, a hardliner close to Khamenei, won the June 2021 election to succeed the moderate Hassan

<sup>100</sup> Michael McFaul and Abbas Milani, "How China's Saudi-Iran deal can serve U.S. interests," *Foreign Policy*, March 14, 2023; Adam Gallagher et al., "What you need to know about China's Saudi-Iran deal," United States Institute of Peace, March 16, 2023.

<sup>101</sup> "Iran, Saudi Arabia reaffirm commitment to Beijing Agreement," *Middle East Monitor*, December 17, 2023.

<sup>102</sup> Ibid.

<sup>103</sup> "Russia and Iran Military Ties Deepening Into Partnership, Biden Administration Warns," *Wall Street Journal*, December 9, 2022.

<sup>104</sup> "Moscow, Tehran Advance Plans for Iranian-Designed Drone Facility in Russia," *Wall Street Journal*, February 5, 2023; Dalton Bennett and Mary Ilyushina, "Inside the Russian effort to build 6,000 attack drones with Iran's help," *Washington Post*, August 17, 2023.

<sup>105</sup> Economist Intelligence Unit, *Democracy Index 2022: Frontline democracy and the battle for Ukraine*, February 2023.

Rouhani, who won elections in 2013 and 2017.<sup>106</sup> Rouhani oversaw Iran's negotiations with the United States and its entry into the JCPOA. The 2018 U.S. exit from the JCPOA and reimposition of sanctions, as well as the January 2020 U.S. killing of Islamic Revolutionary Guard Corps (IRGC)-Qods Force commander Qasem Soleimani, appeared to shift public support away from moderates like Rouhani.<sup>107</sup> Hardliners prevailed in the February 2020 *Majles* elections.

The June 2021 presidential election appears to have cemented this shift toward a more hardline approach to the United States. Rouhani was term-limited and ineligible to run; the government also banned several moderate candidates from running. These circumstances might have contributed to this election having the lowest turnout in the Islamic Republic's history; slightly less than half (49%) of eligible Iranians voted. Raisi, who reportedly played a role in a judicial decision to approve the execution of thousands of political prisoners in 1988, had lost the 2017 presidential election to Rouhani. In 2019 Khamenei appointed Raisi to head Iran's judiciary. Raisi's presidential victory may boost his chances of succeeding Khamenei as Supreme Leader.<sup>108</sup> Elections for the *Majles* and the Assembly of Experts, a body whose constitutional responsibilities include selecting the Supreme Leader, are scheduled for March 2024.

Mass demonstrations shook Iran in 2009 and 2010, when hundreds of thousands of demonstrators took to the streets of Iran's urban centers to protest alleged fraud in the 2009 presidential election. Iran has experienced unrest intermittently since then, including in December 2017, summer 2018, and late 2019, based most frequently on economic conditions but also reflecting other opposition to Iran's leadership. The government has often used violence to disperse protests, in which hundreds have been killed by security forces. U.S. and U.N. assessments have long cited Iran's government for a wide range of human rights abuses in addition to its repression of political dissent and use of force against protesters, including severe violations of religious freedom and women's rights, human trafficking, and corporal punishment.

## 2022-2023 Political Protests

The September 2022 death of 22-year-old Mahsa Amini, who was arrested by Iran's Morality Police for allegedly violating Iran's mandatory *hijab* (head covering) law and died after reportedly having been beaten in custody, sparked nationwide unrest in late 2022. In protests throughout the country, demonstrators voiced a broad range of grievances, with some calling for an end to the Islamic Republic and chanting "death to the dictator." Women played a prominent role in the protests.<sup>109</sup> In response to the protests, the Iranian government deployed security forces who reportedly killed hundreds of protesters and arrested thousands. Iranian officials, who blamed the United States and other foreign countries for fomenting what they called "riots," also shut down internet access.

Throughout fall 2022, observers debated whether the protests, information about which remains opaque and highly contested, represented the "turning point" that some activists claimed: one

<sup>106</sup> In Iran's political system, hardliners, who support the Islamic Republic and generally oppose accommodation with the West, are also known as conservatives or "principlists"; "reformists" generally support greater political openness and engagement with the West. "Moderates" exist between these groups, but are increasingly identified with the reformists. Benoit Faucon and David Cloud, "Confronting Iran protests, regime uses brute force but secretly appeals to moderates," *Wall Street Journal*, November 23, 2022.

<sup>107</sup> Garrett Nada, "Iran's Parliamentary Polls: Hardliners on the Rise, Reformists Ruled Out," United States Institute of Peace, February 12, 2021. In Iran's political system, hardliners are also known as "principlists," moderates as "reformists."

<sup>108</sup> Parisa Hafezi, "Winner of Iran presidency is hardline judge who is under U.S. sanctions," Reuters, June 20, 2021.

<sup>109</sup> Suzanne Kianpour, "The women of Iran are not backing down," *Politico*, January 22, 2023.



observer compared 2022 unrest to the circumstances that preceded the 1979 Islamic Revolution, while another discounted the revolutionary potential of the protests.<sup>110</sup> The demonstrations of 2022 were smaller and more geographically dispersed than those of 2009, and reportedly included protestors from a diverse range of social groups. In December 2022, as the protests appeared to wane, Director of National Intelligence Avril Haines stated, “this is not something that we see right now as being ... an imminent threat to the regime.”<sup>111</sup>

As of January 2024, the protest movement has receded but the fundamental grievances that motivated the outbreak of unrest in September 2022 (and in previous years) remain unresolved, so further rounds of popular protests are possible. The protest movement apparently lacks an organized structure, a visible leader, and a shared alternative vision for Iran’s future, and therefore may have limited capacity to pose an existential risk to the Islamic Republic. Many Iranian women (particularly in urban areas) have reportedly stopped wearing mandatory head coverings, prompting Iran’s parliament to pass legislation to impose heavier punishments on women who flout the mandate.<sup>112</sup>

## U.S. Policy Responses to the Protests

**New sanctions designations.** Since September 2022, the Biden Administration has announced sanctions designations targeting Iran’s Morality Police and dozens of other government entities and officials for their role in the crackdown.

**General license and Internet service.** In September 2022, the U.S. Department of the Treasury’s Office of Foreign Assets Control issued Iran General License D-2, designed to counter what officials described as Tehran’s move to “cut off access to the Internet for most of its 80 million citizens to prevent the world from watching its violent crackdown on peaceful protestors.”<sup>113</sup> Treasury officials stated that the new license expands access to cloud-based services, Virtual Private Networks (VPNs), and anti-surveillance tools critical to secure communication. In March 2023, a State Department spokesperson said “several U.S. companies have in turn taken advantage of the expanded authorization that we’ve provided.”<sup>114</sup>

**Action at international bodies.** In late November 2022, the U.N. Human Rights Council authorized an independent fact-finding mission (FFM) to investigate allegations of human rights abuses committed by the Iranian government.<sup>115</sup> The FFM is expected to present a comprehensive report on its findings at the March 2024 meeting of the Human Rights Council. The United States also led a successful effort to remove Iran from the U.N. Commission on the Status of Women in December 2022.

**Congressional Action.** In the 118<sup>th</sup> Congress, some Members have introduced several resolutions and bills related to the protests. In January 2023, the House voted 420-1 to agree to H.Con.Res. 7, which condemns Amini’s death and the violent suppression of protests and “encourages continued

<sup>110</sup> Ray Takeyh, “A second Iranian revolution?” *Commentary*, November 2022; Sajjed Safael, “Iran’s protests are nowhere near revolutionary,” *Foreign Policy*, January 17, 2023.

<sup>111</sup> “DNI Avril Haines: Protests in Iran not an ‘imminent threat to the regime’” *MSNBC*, December 5, 2022.

<sup>112</sup> Nasser Karimi and Jon Gambrell, “A year ago, an Iranian woman’s death sparked hijab protests. Now businesses are a new battleground,” *Associated Press*, August 10, 2023; “Iran’s politicians to debate hijab laws in secret,” *BBC*, August 13, 2023.

<sup>113</sup> U.S. Department of the Treasury, “U.S. Treasury issues Iran General License D-2 to increase support for internet freedom,” September 23, 2022.

<sup>114</sup> U.S. Department of State, Department Press Briefing, March 1, 2023.

<sup>115</sup> Office of the High Commissioner, “Human Rights Council establishes fact-finding mission to investigate alleged human rights violations in Iran related to the protests that began on 16 September 2022,” November 24, 2022.



efforts” by the Biden Administration to respond to the protests via sanctions and the expansion of unrestricted internet access in Iran. In September 2023, the House voted 410-3 to pass the Mahsa Amini Human rights and Security Accountability Act (MAHSA Act, H.R. 589), which would direct the Administration to review whether specified Iranian entities meet the criteria for designation under certain existing sanctions authorities.

## Iran’s Military: Structure and Capabilities

Given the adversarial nature of U.S.-Iran relations and the centrality of various military-related entities in Iranian domestic and foreign policy, Iran’s military has been a subject of sustained engagement by Congress and other U.S. policymakers. In 2023 testimony, U.S. Central Command (CENTCOM) Commander General Erik Kurilla said, “The advancement of Iranian military capabilities over the past 40 years is unparalleled in the region.”<sup>116</sup> The elements of Iran’s military that arguably threaten U.S. interests most directly are Iran’s Islamic Revolutionary Guard Corps (IRGC) and the country’s missile and unmanned aerial vehicle (UAV, or drone) programs.

Iran’s traditional military force, the *Artesh*, is a legacy of Iran’s Shah-era military force. The *Artesh* exists alongside the IRGC, which Khomeini established in 1979 as a force loyal to the new regime. Rivalries between the two parallel forces (each have their own land, air, and naval force components) stem from their “uneven access to resources, varying levels of influence with the regime, and inherent overlap in missions and responsibilities.”<sup>117</sup> While both serve to defend Iran against external threats, the government deploys the *Artesh* primarily along Iran’s borders to counter any invading force, while the IRGC has a more ideological character and the more expansive mission of combating internal threats and expanding Iran’s influence abroad.

### Ballistic Missiles

According to the U.S. intelligence community, Iran has “the largest inventory of ballistic missiles in the region” and, as of 2022, had steadily improved the range and accuracy of its more than 3,000 ballistic missiles over “the last five to seven years.”<sup>118</sup> Per CENTCOM Commander Kurilla, Iran has aggressively developed its missile capabilities to achieve “an asymmetric advantage against regional militaries.”<sup>119</sup> Iran has used its ballistic missiles to target U.S. regional assets directly, including a January 2020 attack (shortly following the U.S. killing of IRGC-QF Commander Soleimani) against Iraqi sites where U.S. military forces were stationed, and attacks against Iraq’s Kurdistan region in March and September 2022.<sup>120</sup>

Iran’s medium-range ballistic missiles were assessed by the Defense Intelligence Agency (DIA) in 2019 to have a maximum range of around 2,000 kilometers from Iran’s borders, reportedly capable of reaching targets as far as Israel or southeastern Europe.<sup>121</sup> U.S. officials and others

<sup>116</sup> General Michael Kurilla, “Statement for the Record before the Senate Armed Services Committee on the Posture of U.S. Central Command,” March 13, 2023.

<sup>117</sup> Defense Intelligence Agency, *Iran Military Power: Ensuring Regime Survival and Securing Regional Dominance*, 2019.

<sup>118</sup> *Annual Threat Assessment of the U.S. Intelligence Community*, March 8, 2023; Senate Armed Services Committee Hearing, March 15, 2022, available at <http://www.cq.com/doc/congressionaltranscripts-6484358>.

<sup>119</sup> Statement for the Record before the Senate Armed Services Committee, March 13, 2023.

<sup>120</sup> “Who would live and who would die: The inside story of the Iranian attack on Al Asad Airbase,” *CBS News*, August 8, 2021; “Iran attacks Iraq’s Erbil with missiles in warning to U.S., allies,” Reuters, March 13, 2022; White House, “Statement by National Security Advisor Jake Sullivan on Iran’s Missile and Drone Attacks in Northern Iraq,” September 28, 2022.

<sup>121</sup> *Iran Military Power*, op. cit. 43.

have expressed concern that Iran's government could use its nascent space program to develop longer-range missiles, including intercontinental ballistic missiles (ICBMs).<sup>122</sup> According to a congressionally mandated report issued by the Office of the Director of National Intelligence in June 2023, Iran's work on space launch vehicles (SLVs) "shortens the timeline to an ICBM if it decided to develop one because SLVs and ICBMs use similar technologies."<sup>123</sup> The Biden Administration has designated for sanctions several Iranian and Chinese entities for their involvement in the Iranian government's ballistic missile activities.<sup>124</sup> The House voted 403-8 in September 2023 to pass the Fight and Combat Rampant Iranian Missile Exports Act (Fight CRIME Act, H.R. 3152), which would further authorize sanctions on individuals determined to be engaged in Iran's missile programs.

#### **Iran's Missile Program and U.N. Sanctions "Snapback"**<sup>125</sup>

In July 2015, the U.N. Security Council adopted Resolution 2231 (UNSCR 2231), which, in addition to endorsing full implementation of the JCPOA, also contained provisions related to Iran's arms and missile development activities. Specifically, Annex B of the Resolution provides for a ban on the transfer of conventional arms to or from Iran (the conventional weapons ban expired in October 2020), and restricts exports of missile-related items until October 2023. UNSCR 2231 also includes provisions that effectively allow any "JCPOA participant state" to force the reimposition of UN sanctions, including the arms transfer and ballistic missile bans as well as a ban on purchasing Iranian oil, in a process known as "snapback." In August 2020, the Trump Administration invoked the snapback provision in an attempt to extend the conventional arms embargo, but most other members of the Security Council (including JCPOA participants France, the United Kingdom, Russia, and China) asserted that the United States, having ceased implementing its JCPOA commitments in 2018, was not a participant and therefore did not have the standing to trigger the snapback of sanctions, and the conventional arms ban expired in October 2020.<sup>126</sup> The Biden Administration has reversed the Trump Administration's position on the snapback provision.

On October 18, 2023, U.N. sanctions related to Iran's missile-related activities also expired, though the United States and many European countries have retained their own sanctions on those activities. On the day the ban expired, the Treasury Department announced sanctions on twenty individuals and entities (including some in China) for their support for Iran's missile and UAV programs. Some argue that the expiration of U.N. sanctions will strengthen both Iran and its ties with other U.S. adversaries like Russia.<sup>127</sup> Others contend the impact of the expiration is likely to be minimal, given existing U.S. and other bilateral sanctions.<sup>128</sup>

## **UAVs**

According to CENTCOM, Iran has also developed "the largest and most capable Unmanned Aerial Vehicle force in the region," with which it has attacked numerous foreign targets.<sup>129</sup> While Iranian drones are not as technologically complex or advanced as the U.S. UAVs on which the Iranian versions are often modeled, they are a cost-effective way of projecting power, especially

<sup>122</sup> *Annual Threat Assessment*, op. cit.; Farzin Nadimi, "Iran's ballistic missile arsenal is still growing in size, reach, and accuracy," Washington Institute for Near East Policy, December 13, 2021.

<sup>123</sup> Office of the Director of National Intelligence, *Iran's Nuclear Weapons Capability and Terrorism Monitoring Act of 2022*, June 2023.

<sup>124</sup> U.S. Department of the Treasury, "Treasury Sanctions Key Actors in Iran's Ballistic Missile Program," March 30, 2022; "Treasury sanctions international procurement network supporting Iran's missile and military programs," June 6, 2023.

<sup>125</sup> For more, see CRS In Focus IF11583, *Iran's Nuclear Program and U.N. Sanctions Reimposition*, by Paul K. Kerr.

<sup>126</sup> "UNSC dismisses US demand to impose 'snapback' sanctions on Iran," *Al Jazeera*, August 25, 2020. For more, see CRS In Focus IF11429, *U.N. Ban on Iran Arms Transfers and Sanctions Snapback*.

<sup>127</sup> Foundation for Defense of Democracies, "Expiration of UN ban on Iran's missile development will strengthen U.S. adversaries," October 16, 2023.

<sup>128</sup> Vali Kaleji, "Expiration of UN missile sanctions has limited effect on Iran's arms trade," Jamestown Foundation, November 30, 2023.

<sup>129</sup> Statement for the Record, op. cit.

given Iran's underdeveloped air force. Traditional air defense systems have difficulty intercepting UAVs, in part because such systems were designed to detect manned aircraft with larger radar and/or heat signatures.<sup>130</sup> Iran's drone operations include attacks in September 2019 against Saudi oil production facilities in Abqaiq, a complex assault that featured 18 drones and several land-attack cruise missiles; in July 2021 against an oil tanker off the coast of Oman; and in October 2021 against a U.S. military base in At Tanf, Syria. The Biden Administration has designated for sanctions numerous individuals and entities that have supported Iran's UAV programs,<sup>131</sup> and in the 117<sup>th</sup> Congress the House passed, and the Senate Foreign Relations Committee reported, a bill (H.R. 6089) that would have required the President to impose sanctions on persons that engage in activities related to Iranian UAVs.<sup>132</sup> In August 2022, Iran began transferring armed drones to Russia, which has used them against Ukrainian forces and civilian infrastructure.<sup>133</sup>

## Iran's Nuclear Program<sup>134</sup>

U.S. policymakers have signaled concern for decades that Tehran might attempt to develop nuclear weapons. Iran's construction of gas centrifuge uranium enrichment facilities is currently the main source of concern that Tehran is pursuing nuclear weapons. Gas centrifuges can produce both low-enriched uranium (LEU), which can be used in nuclear power reactors, and weapons-grade highly enriched uranium (HEU), which is one of the two types of fissile material used in nuclear weapons. Iranian leaders claim that the country's LEU production is only for Tehran's current and future civil nuclear reactors.

U.S. policy has focused on using various means of coercive diplomacy to pressure Iran to agree to limits on its nuclear program. The Obama Administration pursued a "dual track" strategy of stronger economic pressure through increased sanctions coupled with offers of sanctions relief if Iran accepted constraints on the nuclear program. Many observers assess that U.S. and multilateral sanctions contributed to Iran's 2013 decision to enter into negotiations that concluded in the 2015 Joint Comprehensive Plan of Action (JCPOA).<sup>135</sup>

### 2015 Joint Comprehensive Plan of Action (JCPOA)

The JCPOA imposed restraints on Iran's nuclear program in exchange for relief from most U.S. and U.N. Security Council economic sanctions. The agreement restricted Iran's enrichment and heavy water reactor programs and provided for enhanced IAEA monitoring to detect Iranian efforts to produce nuclear weapons using either declared or covert facilities. The nuclear-related provisions of the agreement, according to U.S. officials, extended the nuclear breakout time—the

<sup>130</sup> Golnaz Esfandiari, "Iran deploys drones to target internal threats, protect external interests," *RFE/RL*, January 18, 2022.

<sup>131</sup> See, for example, U.S. Department of the Treasury, "Treasury sanctions network and individuals in connection with Iran's unmanned aerial vehicle program," October 29, 2021; "Treasury sanctions multinational network supporting Iran's UAV and military aircraft production," September 19, 2023.

<sup>132</sup> The bill would amend Section 107 of the Countering America's Adversaries Through Sanctions Act (CAATSA, P.L. 115-44) to include unmanned combat aerial vehicles.

<sup>133</sup> Ellen Nakashima and Joby Warrick, "Iran sends first shipment of drones to Russia for use in Ukraine," *Washington Post*, August 29, 2022; Yaroslav Trofimov and Dion Nissenbaum, "Russia's use of Iranian kamikaze drones creates new dangers for Ukrainian troops," *Wall Street Journal*, September 17, 2022.

<sup>134</sup> Material in this section is drawn from CRS Report R43333, *Iran Nuclear Agreement and U.S. Exit*, which contains additional information on Iran's nuclear program and the JCPOA.

<sup>135</sup> Uri Berliner, "Crippled by sanctions, Iran's economy key in nuclear deal," NPR, November 25, 2013; Amir Toumaj, "Iran's economy of resistance: implications for future sanctions," AEI, November 17, 2014; "Inside the Iran nuclear deal," *Harvard Gazette*, October 6, 2015.

amount of time that Iran would need to produce enough weapons-grade HEU for one nuclear weapon—to a minimum of one year, for a duration of at least 10 years.<sup>136</sup> In addition to the restrictions on activities related to fissile material production, the JCPOA indefinitely prohibited Iranian “activities which could contribute to the design and development of a nuclear explosive device,” including research and diagnostic activities. The IAEA continues to monitor Iranian compliance with the JCPOA provisions but since 2019 has reported diminishing Iranian cooperation with JCPOA-mandated monitoring.<sup>137</sup>

**Sanctions relief.**<sup>138</sup> In accordance with the JCPOA, the United States waived its secondary sanctions—restrictions on any third country engaging in some types of trade with Iran, primarily in the energy sector—in 2016. The secondary sanctions eased during JCPOA implementation included (1) sanctions that limited Iran’s exportation of oil and foreign sales to Iran of gasoline and energy sector equipment, and that limited foreign investment in Iran’s energy sector; (2) financial sector sanctions, including trading in Iran’s currency, the *rial*; and (3) sanctions on Iran’s auto sector. The European Union (EU) lifted its ban on purchases of oil and gas from Iran; and Iranian banks were readmitted to the SWIFT financial messaging services system.<sup>139</sup> The U.N. Security Council revoked its resolutions that required member states to impose restrictions. The JCPOA did not require the lifting of U.S. sanctions on direct U.S.-Iran trade or sanctions levied for Iran’s support for regional armed factions and terrorist groups, its human rights abuses, or its efforts to acquire missile and advanced conventional weapons technology. The United States reimposed sanctions waived pursuant to JCPOA implementation in 2018 (see below).

**Post-2019 nuclear developments.**<sup>140</sup> The IAEA has reported that some of Iran’s nuclear activities, including Iran’s LEU stockpile and number of enrichment locations, exceed JCPOA-mandated limits, and that the agency is unable to fully perform JCPOA verification and monitoring activities. In March 2023, after the detection of uranium particles enriched to 83.7% at Iran’s Fordow enrichment site sparked U.S. and international concern,<sup>141</sup> IAEA Director General Rafael Grossi stated that the agency and Iran “have initiated technical discussions to fully clarify this issue.”<sup>142</sup> In June 2023, Grossi reported that “some progress has been made, but not as much as I had hoped,” though the agency reportedly had no further questions regarding the highly enriched uranium particles.<sup>143</sup> In response, the U.S. Representative to the IAEA “underscored that Iran’s production of uranium enriched up to 60% has no credible peaceful purpose,” and called on

<sup>136</sup> “Background Conference Call by Senior Administration Officials on Iran,” July 14, 2015. U.S. Secretary of Energy Ernest Moniz described this timeline as “very, very conservative” in an April 2015 interview (Michael Crowley, “Ernest Moniz: Iran Deal Closes Enrichment Loophole,” *Politico*, April 7, 2015). See also CRS In Focus IF12106, *Iran and Nuclear Weapons Production*, by Paul K. Kerr.

<sup>137</sup> CRS Report R40094, *Iran’s Nuclear Program: Tehran’s Compliance with International Obligations*, by Paul K. Kerr.

<sup>138</sup> For additional details on sanctions waived under the JCPOA, see CRS Report RS20871, *Iran Sanctions*.

<sup>139</sup> The Society for Worldwide Interbank Financial Telecommunication (SWIFT), based in Belgium, provides a financial messaging service to facilitate cross-border transactions, including payments involving multiple currencies. International energy-sector trade heavily depends on SWIFT services.

<sup>140</sup> For more, see CRS Report R40094, *Iran’s Nuclear Program: Tehran’s Compliance with International Obligations*, by Paul K. Kerr.

<sup>141</sup> Karen DeYoung and Joby Warrick, “Iran nuclear advance challenges U.S. as time to make potential bomb shortens,” *Washington Post*, March 2, 2023.

<sup>142</sup> IAEA Director General’s introductory statement to the Board of Governors, IAEA, March 6, 2023.

<sup>143</sup> IAEA Director General’s introductory statement to the Board of Governors, IAEA, June 5, 2023; Stephanie Liechtenstein, “International Atomic Energy Agency reports seen by AP say Iran resolves 2 inquiries by inspectors,” Associated Press, May 31, 2023.

Iran to “cease its nuclear provocations.”<sup>144</sup> In June 2023, the Office of the Director of National Intelligence reported that “Iran is not currently undertaking the key nuclear weapons-development activities that would be necessary to produce a testable nuclear device.”<sup>145</sup>

Iran’s September 2023 de-designation of several IAEA inspectors, effectively barring them from taking part in the monitoring of Iran’s nuclear program, drew condemnation from the IAEA Director General, who called the move “disproportionate and unprecedented” and “another step in the wrong direction” that “constitutes an unnecessary blow to an already strained relationship between the IAEA and Iran.”<sup>146</sup> Iran reportedly continued to advance its nuclear activities in late 2023, increasing its “production of highly enriched uranium” in November 2023, “reversing a previous output reduction from mid-2023.”<sup>147</sup>

## Issues for Congress

### Sanctions<sup>148</sup>

Since 1979, U.S. administrations have imposed economic sanctions in an effort to change Iran’s behavior, often at the direction of Congress.<sup>149</sup> U.S. sanctions on Iran are multifaceted and complex, a result of over four decades of legislative, administrative, and law enforcement actions by successive presidential administrations and Congresses.

U.S. sanctions on Iran were first imposed during the U.S.-Iran hostage crisis of 1979-1981, when President Jimmy Carter issued executive orders blocking nearly all Iranian assets held in the United States. In 1984, Secretary of State George Shultz designated the government of Iran a state sponsor of acts of international terrorism (SSOT) following the October 1983 bombing of the U.S. Marine barracks in Lebanon by elements that later established Lebanese Hezbollah. Iran’s status as an SSOT triggers several sanctions including restrictions on licenses for U.S. dual-use exports; a ban on U.S. foreign assistance, arms sales, and support in the international financial institutions; and the withholding of U.S. foreign assistance to countries that assist or sell arms to the designee.<sup>150</sup>

Later in the 1980s and throughout the 1990s, other U.S. sanctions sought to limit Iran’s conventional arsenal and its ability to project power throughout the Middle East. In the 2000s, as Iran’s nuclear program progressed, U.S. sanctions focused largely on trying to pressure Iran to limit its nuclear activities. Most of the U.S. sanctions enacted after 2010 were secondary sanctions on foreign firms that conduct transactions with major sectors of the Iranian economy, including banking, energy, and shipping. Successive Administrations issued Executive Orders under which they designated specific individuals and entities to implement and supplement the

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<sup>144</sup> U.S. Mission to International Organizations in Vienna, IAEA Board of Governors Meeting, U.S. Statement as Delivered by Ambassador Laura S.H. Holgate, June 6, 2023.

<sup>145</sup> Office of the Director of National Intelligence, *Iran’s Nuclear Weapons Capability and Terrorism Monitoring Act of 2022*, June 2023.

<sup>146</sup> IAEA, “IAEA Director General’s statement on verification in Iran,” September 16, 2023.

<sup>147</sup> Francois Murphy, “Iran undoes slowdown in enrichment of uranium to near weapons-grade – IAEA,” Reuters, December 26, 2023.

<sup>148</sup> For more, see CRS In Focus IF12452, *U.S. Sanctions on Iran*, by Clayton Thomas.

<sup>149</sup> For details on the legislative bases for sanctions imposed on Iran, see CRS Report R43311, *Iran: U.S. Economic Sanctions and the Authority to Lift Restrictions*, by Dianne E. Rennack.

<sup>150</sup> CRS Report R43835, *State Sponsors of Acts of International Terrorism—Legislative Parameters: In Brief*, by Dianne E. Rennack.



provisions of these laws. The United States has also, pursuant to various authorities, imposed sanctions on scores of entities held responsible for human rights violations.

**Impact of sanctions.** U.S. sanctions imposed during 2011-2015, and since 2018, have taken a substantial toll on Iran's economy. According to one assessment, economic outcomes in Iran "are determined primarily by the multiple negative consequences of sanctions."<sup>151</sup> Some analysts, while agreeing that sanctions have an impact, also have argued that Iran suffers from "decades of failed economic policies."<sup>152</sup> A U.N. official, in a May 2022 visit to Iran, said that economic sanctions had increased inflation and poverty, exacerbating overall humanitarian conditions.<sup>153</sup>

Sanctions appear to have had a mixed impact on the range of Iranian behaviors their imposition has been intended to curb. As mentioned above, some experts attribute Iran's decision to enter into multilateral negotiations and agree to limits on its nuclear program under the JCPOA at least in part to sanctions pressure. Other aspects of Iranian policy seen as threatening to U.S. interests, including its regional influence and military capabilities, appear to remain considerable and have arguably increased in the last decade.<sup>154</sup>

Since the reimposition of U.S. sanctions in 2018 and resulting economic pressure, Iran has decreased its compliance with the nuclear commitments of the JCPOA and conducted provocations in the Persian Gulf and in Iraq. Those nuclear advances and regional provocations continued as Iran and the United States engaged with other JCPOA signatories in indirect negotiations around reviving the JCPOA. The reimposition of U.S. sanctions after 2018 may also have contributed to Iran's growing closeness to China (with which Iran signed a March 2021 agreement to deepen economic and security ties)<sup>155</sup> and Russia.<sup>156</sup> President Raisi has also said that Iran's prospective BRICS membership "will definitely play [a] part in fighting the US sanctions."<sup>157</sup>

As part of its oversight responsibilities and to better inform legislative action, Congress has directed successive Administrations to provide reports on a wide array of Iran-related topics, including U.S. sanctions. In recent legislation, they include reports on the "status of United States bilateral sanctions on Iran" (§7041(b)(2)(B) of FY2023 Consolidated Appropriations Act, P.L. 117-328) and the impact of sanctions on various Iranian entities and Iran-backed groups (§1227 of the FY2022 National Defense Authorization Act, P.L. 117-81). Congress has also held numerous hearings focused primarily or in part on U.S. sanctions on Iran.

## Oversight of Negotiations and Possible Nuclear Agreement

Congress has sought to influence the outcome and implementation of international negotiations over Iran's nuclear program. In 2015, Congress enacted the Iran Nuclear Agreement Review Act

<sup>151</sup> *Country Forecast: Iran*, Economist Intelligence Unit, August 2023.

<sup>152</sup> Anthony Cordesman, "The Crisis in Iran: What Now?" Center for Strategic and International Studies, January 11, 2018.

<sup>153</sup> Golnaz Esfandiari, "Visit to Iran by controversial UN rapporteur provokes concerns," *RFE/RL*, May 13, 2022; Amir Vahdat, "UN envoy: US sanctions on Iran worsen humanitarian situation," *ABC News*, May 18, 2022.

<sup>154</sup> See, for example, "New report reveals extent of Iran's growing Middle East influence," *Al Jazeera*, November 7, 2019; Ariane Tabatabai et al., "Iran's Military Interventions: Patterns, Drivers, and Signposts," RAND Corporation, 2021; David Gardner, "Curbing Iran's regional ambitions remains a distant hope for the west," *Financial Times*, June 10, 2021; Philip Loft, "Iran's influence in the Middle East," House of Commons Library (UK Parliament), March 23, 2022.

<sup>155</sup> "China, With \$400 Billion Iran Deal, Could Deepen Influence in Mideast," *New York Times*, March 27, 2021.

<sup>156</sup> "Russia's Lavrov in Iran to Discuss Nuclear Deal, Cooperation," Reuters, June 22, 2022.

<sup>157</sup> "Iran's membership in BRICS, SCO to help overcome negative sanctions impact – Raisi," TASS, August 29, 2023.



(INARA, P.L. 114-17), which mandates congressional review of related agreements and provides for consideration of legislation to potentially block their implementation.<sup>158</sup>

Among other provisions, INARA directs the President to submit to Congress within five calendar days of reaching “an agreement with Iran relating to the nuclear program of Iran” that agreement and a certification that it meets certain conditions, such as that the agreement ensures that Iran will not be permitted to use its nuclear program for military purposes. It also provides Congress with a 30-day period following transmittal to review the agreement, during which the President may not waive or otherwise limit sanctions; if Congress enacts a resolution of disapproval during that period, the executive branch may not take any “action involving any measure of statutory sanctions relief.”

Indirect negotiations over Iran’s nuclear program (see above) may have implications for INARA-mandated congressional review provisions. The Biden Administration would likely be required to report any JCPOA amendments to Congress, triggering the congressional review process described above.<sup>159</sup> Biden Administration officials have stated publicly that they are “committed to ensuring the requirements of INARA are fully satisfied” without engaging on the question of whether they would submit a hypothetical agreement for congressional review.<sup>160</sup> These officials have also emphasized since September 2022 that U.S. policy has not been focused on reviving the JCPOA, given objectionable Iranian behaviors in other areas; Secretary Blinken said in July 2023 that “We’re now in a place where we’re not talking about a nuclear agreement.”<sup>161</sup>

The September 2023 prisoner exchange/fund transfer agreement focused some additional congressional attention on INARA. In August 2023, House Foreign Affairs Committee Chairman Michael McCaul and other representatives wrote to President Biden to express “significant concern” about the prospective agreement and to underscore the Administration’s obligations under INARA.<sup>162</sup>

## Outlook

While the challenges posed by the Iranian government’s nuclear program, its human rights abuses, and its growing ties with China and Russia remain, the regional turmoil unleashed by the October 2023 Hamas-led assault on Israel is the foremost issue affecting U.S. policy toward Iran in early 2024. Iran-backed groups across the Middle East have clashed with U.S. and U.S. partner forces across the region. U.S. retaliatory strikes have at times targeted Iranian personnel but have not extended to Iranian territory, which could trigger the direct military confrontation both sides say they seek to avoid.

These dynamics pose a complex challenge for U.S. policymakers and Congress, which has long played an active role in shaping and overseeing U.S. policy toward Iran. The Biden Administration appears to remain focused on preventing the regionalization of the conflict while stating that the United States will respond when its interests are threatened (pointing to military

<sup>158</sup> For a legislative history of INARA, and the several votes taken in Congress that demonstrated opposition to the JCPOA but failed to block its implementation, see CRS Report R46796, *Congress and the Middle East, 2011-2020: Selected Case Studies*, coordinated by Christopher M. Blanchard.

<sup>159</sup> CRS Report R46663, *Possible U.S. Return to Iran Nuclear Agreement: Frequently Asked Questions*.

<sup>160</sup> State Department Press Briefing, March 16, 2022.

<sup>161</sup> “US envoy reiterates nuclear talks with Iran not a priority,” *Iran International*, December 4, 2022; U.S. Department of State, “Secretary Antony J. Blinken with Fareed Zakaria of GPS,” CNN, July 23, 2023.

<sup>162</sup> Letter available at <https://foreignaffairs.house.gov/wp-content/uploads/2023/08/8.21.23-Scalise-Stefanik-McCaul-letter-to-President-Biden-re.-Iran-Deal50-1.pdf>.

action in Syria, Iraq, and Yemen). Some Members of Congress have called for more U.S. military action, including direct attacks against Iran.<sup>163</sup> Others have expressed concern over the constitutionality and escalatory potential of U.S. strikes on Iran-backed groups like the Houthis.<sup>164</sup> Successive appropriations acts since FY2020 have included provisions stating that they may not be construed as authorizing the use of force against Iran.<sup>165</sup>

More broadly, to counter Iran's strategic clout, the United States has sought to marshal regional opposition to Iran and isolate Iran on the world stage. Despite some successes on both fronts, Iran remains diplomatically engaged with many of its neighbors, including some U.S. partners, and the lack of U.S. relations with Tehran precludes direct U.S. involvement in those diplomatic engagements.

Beyond the limitations of existing U.S. policy tools, a number of other factors may influence congressional views of, and action toward, U.S. policies regarding Iran, including

- A lack of detailed, current information about dynamics within Iran due to Iranian government-imposed media restrictions, the absence of U.S.-Iran diplomatic relations, and other factors. Additionally, no Members of Congress or congressional staff appear to have visited Iran since 1979.<sup>166</sup>
- The historical legacy of animosity between the United States and Iran, particularly the U.S. embassy hostage crisis of 1979-1981 and subsequent Iranian government support for terrorism and attacks on U.S. military personnel in the Middle East.
- The large, diverse, and politically active Iranian diaspora community.

In seeking to understand Iran and to shape U.S. policy, potential questions that Members of Congress may consider include

- What are the ultimate goals of U.S. policy toward Iran? What U.S. policy approaches have been most and least successful in moving toward those goals?
- What are Iran's regional aims, and what do they need to achieve them? What additional assets/capabilities do U.S. partners need to counter Iran? What are the implications of diplomatic engagement and economic ties between Iran and U.S. regional partners for U.S. interests?
- How secure is the position of Supreme Leader Khamenei? Who might succeed him? What other factions or power centers exist within the Iranian political system and how might they influence leadership succession and future regime policy?
- To what extent did protests in fall 2022 and early 2023 represent a threat to regime stability? What, if anything, can the United States do to promote democracy without endangering its supporters in Iran?
- Why has Iran provided Russia with weaponry for use in Ukraine and how has their partnership impacted Iran and its other bilateral relationships? What drives

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<sup>163</sup> See, for example, Barak Ravid, "GOP contenders cast Biden as too weak on Iran," *Axios*, November 8, 2023; "US senator calls for bombing IRGC positions inside Iran," *Iran International*, December 28, 2023.

<sup>164</sup> See, for example, Chad de Guzman, "How Congress is reacting to Biden's military attack on the Houthis in Yemen," *Time*, January 12, 2024.

<sup>165</sup> Section 8133 of the Consolidated Appropriations Act, 2023 (P.L. 117-328).

<sup>166</sup> Some Members of Congress have visited other countries without a U.S. embassy such as Syria (in 2017), Cuba (in 2009), and North Korea (in 2003).

- the deepening Iran-Russia relationship and should the United States and its partners seek to impede it?
- Why has Iran increased its nuclear activities and what is the ultimate purpose of the program? What additional steps would Iran need to obtain a nuclear weapon and how can the United States and partners prevent that? What might be the implications of Iran's obtaining a nuclear weapon for Iran's broader foreign policy, regional stability, and other U.S. interests?
- What was the impact of the JCPOA on Iran's nuclear program, Iran's regional activities, domestic politics in Iran, and U.S.-Iran relations overall? What was the impact of the U.S. withdrawal from the JCPOA?
- What are the arguments for and against attempting to rejoin the JCPOA? Given changes on both sides since 2015, is reviving the accord feasible? What alternative arrangements, if any, might meet the U.S. goal of securing limits on Iran's nuclear activities?
- What are the implications for the United States of Iran's prospective membership in the BRICS group?
- What are the dynamics between Iran and the various terrorist groups that it supports? To what extent, if any, does it exercise command and control?

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## **Insert Acknowledgments Here**

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