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Unintended Consequences of Iran Central Bank Sanctions

Impact on energy prices, the U.S. and the global economy:

- *“There are very real scenarios in which an oil [price] spike might hit ... If there is a hike in the price of oil, Iran gains. If there is a spike in the price of oil ... there could be profound harm to the global economic recovery and a windfall to Iran.” – [Adam Szubin, Director of the U.S. U.S. Treasury’s Office of Foreign Assets Control](#)*
- *“...U.S. officials have decided that such sanctions could disrupt oil markets and further damage the U.S. and world economies.” – [L.A. Times](#)*
- *U.S. and European officials “fear sanctioning Bank Markazi risks sharply driving up global energy prices, as Tehran could find itself unable to execute oil sales.” – [Wall Street Journal](#)*

Impact on global efforts against Iran:

- *“European countries reportedly oppose such a sanction as an extreme step with potential humanitarian consequences.” – [Congressional Research Service](#)*
- *“U.S. officials have worried that unilateral American sanctions against Bank Markazi might not be respected by even some American allies. This could place Washington into the difficult position of either backing down or theoretically trying to ban important foreign companies and governments from using the U.S. financial system.” – [Wall Street Journal](#)*
- *“Some U.S. officials have pointed out in internal discussions that the step could risk the cooperation of a number of countries that have been less enthusiastic about past international sanctions, including some of the most important developing nations.” – [L.A. Times](#)*

Impact on humanitarian situation in Iran:

- *The oil embargo of Iraq, which was accomplished in part by sanctioning the Central Bank of Iraq, contributed to the deaths of half a million Iraqi children according to UNICEF estimates and failed to depose Saddam Hussein or prevent war. - [UNICEF](#)*
- *Sanctioning the CBI would cause massive secondary effects, such as preventing the import of food and medicine into Iran. Even without CBI sanctions, “Americans who broker sales of food and medical items to Iran report difficulties in finding third-country banks to process the transactions,” according to [the Atlantic Council](#). When the U.S. and the international community sanctioned Libya’s central bank, [AFP reported](#), “Although some essential goods could be imported under the current sanctions regime, they cannot be paid for because ... foreign banks are refusing to do business with Libyan entities.”*

Impact on Iranian regime:

- *Iranian government officials discount the effects of sanctions on the government's finances since the sanctions and regional tensions also increase concern about global oil supplies and thus increase the price of Iran's oil exports – [Bijan Khajepour, Iranian economist](#)*
- *"These sanctions have given an excuse to the Iranian government to suppress the opposition by blaming them for the unstable situation of the country. Look at Cuba and North Korea. Have sanctions brought democracy to their people? They have just made them more isolated and given them the opportunity to crack down on their opposition without bothering themselves about the international attention." – [Mehdi Karroubi, Green Movement](#)*
- *"[Sanctions'] basic effect has been to weaken civil society and strengthen the state — the opposite of what we should be trying to do in that country." – [Fareed Zakaria, CNN](#)*

Effectiveness and precedent

- *Sanctions have failed to achieve their objectives in 95.7% of case since World War I, and sanctions are more than three times more likely to end in military conflict than success. – [Dr. Robert Pape, Harvard's Journal of International Security](#)*
- *Though the UN Security Council has imposed central bank sanctions against Iraq and Libya, which ultimately ended in war, the U.S. has never imposed unilateral, extraterritorial sanctions on a central bank.*