

Sanctions Regime Exacerbate Medicine, PPE, and Food Insecurity Inside Iran

On Oct. 8th, the Office of Foreign Assets Control (OFAC) expanded secondary sanctions on Iran's financial sector, targeting [18 Iranian banks](#) under Executive Order 13902, including some that had been involved in facilitating humanitarian trade. The decision will impose more barriers against humanitarian trade with Iran, adding to a growing sanctions regime that continues to shrink the space for trade in humanitarian goods.

Despite previous sanctions exemptions enacted by Congress and the Executive Branch, Iran's access to medical equipment and PPE has been [severely hampered](#). Even though the U.S. Treasury Department issued [General License L](#) with these new sanctions, which exempts the export of agricultural commodities, food, medicine or medical devices to Iran, history shows these narrow exemptions to broad sanctions regimes are practically ineffective and the new Executive Order will all but certainly make these dynamics far worse -- particularly as Iran struggles to contain a [major resurgence](#) of the worst coronavirus outbreak in the Middle East.

Below are topline points of the most recent sanctions as well as the broader sanctions architecture that has undermined humanitarian aid transfers to Iran and has created an economic crisis to the detriment of the Iranian people:

Imports of humanitarian aid and medicine have fallen considerably since the reimposition of sanctions.

- Iran only imports 3% of its pharmaceuticals, most of which are [highly specialized medications](#) used to treat cancer, diabetes, or other chronic ailments. Pharmaceutical imports from the EU and Switzerland, Iran's biggest suppliers, *should be growing year over year* as demand for specialized medicine grows with Iran's population.
- Instead, they are going in the opposite direction - pharmaceutical imports from the EU and Switzerland are declining. In 2017, prior to the imposition of sanctions, the EU [exported](#) €730 million worth of pharmaceuticals to Iran. After they were re-imposed, exports dropped to €710 million in 2018 and then to €673 million in 2019. Therefore trade in this "sanctions exempt category" has atrophied, despite the growing demands for Western medicines.
- Moreover, medicine is an inelastic good. Meaning regardless of supply constraints or obstacles, individuals and companies will persevere to obtain commodities that might save their lives or their patients. The efforts to circumvent these barriers, however, increases costs, wastes time, and ultimately reduces the flow of medicine that would have flown more freely in the absence of sanctions.
- Imports of PPE from the EU also [fell by 49% between 2018 and 2019](#) before the pandemic struck Iran in February of 2020, leaving the country woefully unprepared for the virus and hampering its ability to fight back, including the [most recent surge](#) that has

swept the country.

- Even though Iran's pharmaceutical industry [produces](#) 97% of the drugs it uses, according to the Syndicate of Iranian Pharmaceutical Industries, it imports more than half the raw materials to make them. Some drugs require up to 15 different ingredients, making the industry very sensitive to even the slightest sanctions disruption.
- Even food imports are not immune to the adverse effects of sanctions. Brazil, which supplies much of Iran's corn imports, also has had trouble finding banks willing to facilitate the deals. As a result, corn imports from Brazil to Iran have [dropped](#) from 2.3 million tons in 2018 to 339,000 in 2019 alone, an approximate 85% decrease.

Iran's currency and the purchasing power of the Iranian people have been run into the ground due to sanctions.

- The economic effects of Trump-era sanctions have decimated the average Iranian's purchasing power, making Iranians from all walks of life [significantly poorer](#) over the last three years. After the re-imposition of sanctions, the Iranian rial fell precipitously against the US dollar—an event that harms ordinary Iranians as well as the government. In early October, the Iranian rial [fell](#) to 300,000 to the US dollar, its lowest rate ever recorded.
- Iran's currency was at 32,000 rials to the dollar at the [time](#) the 2015 nuclear deal was signed with world powers. Since the re-imposition of sanctions in 2018, the value of Iran's currency has [fallen](#) by roughly 60%. Even though the pandemic and a drop in oil prices have played a part in the devaluation of the currency over the past few months, the weakening of the rial predates the current crisis and has its roots both in sanctions and corruption.
- Rapid inflation has had a real impact on the lives of Iranians. According to [official Iranian statistics](#), the cost of health and medical services rose by 19% in the past 12 months. Moreover, between March 2019 - March 2020, the price of food commodities rose by 43% and the price of utilities rose by 19%. [According](#) to data released by the Central Bank of Iran, the cost of healthcare in Iran rose nearly 20% between November 2017 and November 2018.
- Compounding these dynamics, [unemployment](#) rose to 16.8% in 2019 and is expected to rise in 2020 amid the pandemic. Despite dismal employment numbers, they don't capture the whole picture: unemployment percentages only capture those out of work who are currently looking for employment - many take on short-term, unstable gigs or have simply lost hope.
- Making matters worse is the [corrupt networks](#) embedded within the Iranian political class. After the currency plummeted, Iran created a [specific exchange rate](#) for goods it

deemed “vital” - including medicine, meat, and other essential items. Many businessmen with government connections with greater access to goods take advantage of these lower exchange rates and then resell the goods at a higher, floated exchange rate outside the country for profit.

- While Iran’s [corrupt system is structural](#), sanctions economies are historically petri dishes of corruption. They allow government actors connected to dubious partners the space to give [preferential treatment to semi-state enterprises](#) over indigenous private sector companies, all at the expense of the economy as a whole.

The Trump administration’s sanctions campaign has systematically narrowed channels for humanitarian trade.

- Beginning with the administration’s withdrawal from the JCPOA in 2018, Trump reimposed all nuclear-related sanctions on Iran on November 6, 2018, forcing international and European banks to [significantly scale](#) back their operations in the country.
- This first salvo of sanctions included the arbitrary designation of Parsian Bank in Iran, which processed much of Iran’s humanitarian trade transactions and was trusted by European firms given its strong [anti-money-laundering procedures](#). Parsian Bank’s designation forced international suppliers to scramble to either work with smaller banks or to pull out entirely.
- Treasury’s most restrictive move on humanitarian aid was the designation of the Central Bank of Iran (CBI) in Sept. 2019 under terrorism authorities derived from E.O. 13224, which has no humanitarian exemption. A central component in the transfer of humanitarian aid to Iran, the CBI controls the necessary foreign currency reserves that all other banks relied on to buy medicine and foodstuffs. As many analysts predicted, the designation of the CBI [resulted](#) in severe medical shortages all while the pandemic was accelerating.

Humanitarian exemptions have done little to revitalize the flow of humanitarian goods.

- Given mounting criticism amid the COVID-19 pandemic, Treasury belatedly added an exemption, General License No. 8 (GL-8), to facilitate humanitarian trade involving the CBI in March, reflecting the fact that it had severely hampered Iran’s trade in food and medicine.
- Other workarounds have similarly been ineffective. OFAC [created](#) the Swiss Humanitarian Trade Arrangement (SHTA) in Feb. 2020 to facilitate humanitarian transactions with Swiss companies. But the channel has only facilitated two transactions since its inception, and only [one](#) since the pandemic swept through Iran due to a lack of

Iranian funds and the [crippling](#) due diligence requirements imposed by OFAC.

- Making matters worse, Iran is on the brink of a liquidity crisis, meaning they do not have the foreign reserves needed to pay for many international transfers, regardless of the exemptions in place. The IMF [projected](#) that Iran's foreign currency reserves dwindled by \$19 billion this year, going from \$85 billion to \$69 billion, most of which is frozen in banks abroad due to U.S. sanctions.
- Trump administration allies and former officials have [called](#) on Trump to take steps that would further undermine humanitarian trade, including cutting Iranian banks from SWIFT, the international banking messaging system. While the administration has not taken this drastic step as of now, it appears next on the agenda for those intent on using collective punishment to advance their unrealistic policy objectives.

Stories on the ground show the devastating impact of sanctions on ordinary people.

- Iran is currently [experiencing a shortage of insulin](#) throughout the country that is being exacerbated by sanctions. According to Mette Kruse-Danielsen a spokesperson for the world's leading insulin producer that has production facilities in Iran, "sanctions against Iran mean limited banking route options, which makes it more challenging to run our business in the country, including the availability of products." Due to an "increase of stockpiling by patients due to COVID-19, we see occasional situations of stock-out at the pharmacy level."
- Javad Mamashty, a former COVID-19 patient and father who has had difficulty holding down a job due to the sanctions and pandemic-induced recession [said](#), "Life is very, very hard. Rents have gone through the roof. The cost of basic goods, medicines, are extraordinary...the future for me looks dark."
- A Tehran-based doctor [told](#) Human Rights Watch that both for a lack of supply and rising prices, sanctions "can particularly affect patients with special diseases such as multiple sclerosis and cancer, who need medical supplements in their treatment plans."
- One [Iranian](#) entrepreneur who imports and sells medical respiratory equipment told TIME in February that it takes three times longer to make a simple banking transaction with Europe under the newly imposed sanctions. "In Iran...everything we want to do with Europe is done with delay. We have had ICU bed shortages for a while and now we can't buy the number we need for this corona outbreak in a timely way."
- In [lamenting](#) the effects of inflation, one Iranian said "in the first wave [of inflation] to 130,000 and second to 180,000 many of our interests and hobbies were completely eliminated step-by-step and now it doesn't even matter if it reaches 500,000 because we lost our purchasing power a long times ago...Congratulations, we are now poor."