3

Sowing Discord

Iranian Wheat Imports under Sanctions

Esfandyar Batmanghelidj

INTRODUCTION

This chapter examines how US sanctions, whether applied unilaterally or as part of a multilateral campaign, have impinged on Iranian food security by interfering with Iran's ability to import wheat, particularly since 2018.[1] The interference mirrors the impact of sanctions on other major food sources, and more generally on the imports and exports necessary to sustain the economy. However, wheat imports play a crucial role in meeting the food requirements of the Iranian people – the effects of sanctions on these imports are especially deleterious. US officials insist that sanctions are intended to cut Iranian state revenues, thereby hobbling the country's military and its nuclear program.[2] But it has long appeared that sanctions could be used to foment protests in Iran, particularly by undermining Iran's food security. In January 2018, President Trump did away with the pretense, tweeting, "The great Iranian people have been repressed for many years. They are hungry for food & for freedom."[3] At that time, the Trump administration was preparing its "maximum pressure" policy against Iran, which openly instrumentalized the immiseration of

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[1] This chapter was written in November 2024, and does not discuss later events such as negotiations for a new nuclear deal and possible sanctions relief.

[2] Council on Foreign Relations, "A Conversation with Brian Hook," December 12, 2019, accessed November 24, 2024, www.cfr.org/event/conversation-brian-hook.

[3] Hooman Majd, "Trump's Support for Iranian Protesters Could Hurt Them – and Empower Hardliners," NBC News, January 4, 2018, accessed November 24, 2024, https://bit.ly/46acL3J.

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ordinary people to put political pressure on Iran's leadership. In the administration's thinking, people who are hungry for food *become* hungry for freedom. While insisting that their sanctions do not target the Iranian people, Trump administration officials were candid that hunger was an inherent outcome of their policies. Secretary of State Mike Pompeo stated that Iran's leadership "has to make a decision that they want their people to eat."[4] Brian Hook, the Trump administration's envoy to Iran, claimed that "the Iranian people do not want to eat grass so that the regime can have a nuclear weapon."[5]

Technically, US sanctions do not target trade in food or medicine. US sanctions regulations contain numerous exemptions and general licenses permitting transactions necessary to sell food and medicines to Iran.[6] Even so, US sanctions have made food less affordable, increasing hunger for the country's poorest citizens. Chronic inflation induced by sanctions has eroded real wages and households have had no choice but to cut back on their expenditures.[7] Between 2010 and 2020, the median household expenditure in Iran declined a staggering 20 percent.[8] Against this backdrop, food prices have risen dramatically. In July 2023, the annual food inflation rate in Iran was 65.7 percent, significantly higher than the general inflation rate of 47.5 percent.[9] The interference of US sanctions with Iranian food security, and specifically its ability to import wheat, began when the Obama administration imposed major financial sanctions on Iran in 2012. Those sanctions were mostly lifted in 2016 but were subsequently reimposed by the Trump administration following the unilateral withdrawal from the Joint Comprehensive Plan of Action in May 2018. Iran is entering its second decade in which US sanctions have made it more difficult to source wheat.

RISING IMPORT DEPENDENCE

In the early 2000s, Iranian wheat production frequently matched domestic consumption. But consumption rose as Iran's population grew – there are approximately 23 million more Iranians to feed today than twenty years ago.

[4] Brendan Cole, "Mike Pompeo Says Iran Must Listen to U.S. 'If They Want Their People to Eat,'" *Newsweek*, November 9, 2018, accessed November 24, 2024, https://tinyurl.com/3dd6k4wc.

[5] Center for Strategic and International Studies, "Iran One Year Later: The Trump Administration's Policy, Looking Back and Looking Forward," May 9, 2019, accessed November 24, 2024, https://tinyurl.com/bd9rthwv.

[6] U.S. Department of the Treasury, "Guidance on the Sale of Food, Agricultural Commodities, Medicine, and Medical Devices by Non-U.S. Persons to Iran," July 25, 2013, accessed November 24, 2024, https://ofac.treasury.gov/media/7846/download?inline.

[7] Esfandyar Batmanghelidj, "The Inflation Weapon: How American Sanctions Harm Iranian Households," *Sanctions and Security Research Project*, January 2022, accessed November 24, 2024, https://tinyurl.com/2n52jy7r.

[8] Zep Kalb, "The Class Biases of Economic Sanctions in Iran," Bourse & Bazaar Foundation, July 3, 2023, accessed November 24, 2024, https://tinyurl.com/mwv9bcwf.

[9] Statistical Center of Iran, "Consumer Price Index for the Month of Tir, Year 1402," July 31, 2023, accessed November 24, 2024, https://bit.ly/3I7hQQg.

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In the same period, total annual wheat consumption increased from 15 million metric tons to 18 million metric tons, according to estimates from the U.S. Department of Agriculture. Alongside demographic factors, economic hardship can also increase demand for wheat. During a decade of economic hardship, Iranian households have become more reliant on bread as the mainstay of their meals. Declining real incomes are forcing households to forgo meat and rice, staples of Iranian cuisine that are now prohibitively expensive for many families.[10]

Meanwhile, Iranian farmers have struggled with their harvests. Wheat yields have become more volatile as Iran's climate grows hotter and drier. Wheat is grown in Iran's arid plains and valleys with the help of irrigation, much of it rudimentary. Less than 3 percent of Iran's landmass can be rated "good" for cropping. In pursuit of "an ambitious plan to achieve food self-sufficiency … irrigated farming has been implemented unbridled, which has devastated the water scarcity problem."[11] Recent droughts have strained these irrigation systems, reducing crop yields. In 2020, a major drought saw wheat production drop 20 percent.[12] However, droughts are not the underlying cause of Iran's water crisis. According to a recent study, Iran has received more annual rainfall from 2003 to 2019 than it did between 1983 and 2002. But the overuse of water resources has led to dramatic reductions in the amount of groundwater across the country. The marginal increase in precipitation was insufficient to offset depletion of groundwater through overextraction. Total water storage loss in 2003–2019 is equal to twice Iran's annual water consumption.[13] Rivers are running dry and farmers are drilling deeper wells to reach the falling water table, exacerbating the problem of overextraction. The prospects for agriculture in Iran are grim. While the implementation of new technologies, such as more efficient drip irrigation, could help bolster yields even as the water shortages grow acute, such systems are too expensive for most Iranian farmers and are difficult to source even for those farmers who can afford to install them, owing to the effects of international sanctions on Iran's access to even basic agricultural technologies.[14] Even if such systems could be rolled

[10] Mesbah Motamed, "Developments in Iran's Agriculture Sector and Prospects for U.S. Trade," U.S. Department of Agriculture, July 2017, accessed November 24, 2024, www.ers.usda.gov/publications/pub-details/?pubid=84407.

[11] Mohsen B. Mesgaran et al., "Iran's Land Suitability for Agriculture," *Scientific Reports* 7, no. 1 (August 9, 2017): 7670, https://doi.org/10.1038/s41598-017-08066-y.

[12] U.S. Department of Agriculture, "Country Summary: Iran Wheat Area, Yield and Production," August 11, 2023, accessed November 24, 2024, https://ipad.fas.usda.gov/countrysummary/Default.aspx?id=IR&crop=Wheat.

[13] Peyman Saemian et al., "How Much Water Did Iran Lose Over the Last Two Decades?" *Journal of Hydrology: Regional Studies* 41 (June 1, 2022): 101095, https://doi.org/10.1016/j.ejrh.2022.101095.

[14] Kaveh Madani, "How International Economic Sanctions Harm the Environment," *Earth's Future* 8, no. 12 (November 9, 2020), https://doi.org/10.1029/2020EF001829.

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out across Iran's wheatfields, searing temperatures, recurrent sandstorms, and flash floods will continue to interrupt farming operations and destroy crops.

Iranian policymakers and agriculturalists understand that they are fighting a losing battle – the dream of self-sufficiency in wheat production is no longer attainable. A recent article in the *Iranian Journal of Public Health* points to an emerging crisis: "The negative impact of climate change on agricultural production, intensified inflationary trends, high food prices, increasing food waste, increasing the need for food imports, and, more significantly, ongoing international sanctions make it difficult to access affordable food and pose challenges to Iran's long-term food security."[15]

Iran's recent dependence on wheat imports likely reflects the beginning of a long-term trend. This is not a unique dilemma. Many countries are increasingly dependent on agricultural imports in the face of demographic shifts and climate pressures. These countries are turning to international markets to source wheat from major producers. Global wheat imports have grown from just $17 billion to $62 billion between 2000 and 2021.[16] This trend explains the concerns for food security that emerged following the Russian invasion of Ukraine in February 2022 – with two major wheat exporters at war, import-dependent countries across the Global South feared acute shortages.[17] Iran had in recent years responded to falling domestic wheat production by increasing imports from Russia and Ukraine.[18]

FRAGILE SUPPLY CHAINS

Just as climate and demographic pressures are increasing Iran's dependence on wheat imports, sanctions have disrupted those imports in three ways. First, sanctions led to fragmentation among both traders and the importers on which they rely, disrupting long-standing commercial relationships. Second, sanctions disrupted the payments for wheat imports, by reducing the number of banks willing to process payments and constraining Iran's access to its foreign exchange reserves. Finally, sanctions disrupted wheat imports by delaying the delivery of cargoes. For over a decade, these disruptions have introduced fragility at each link in the supply chain, making Iran's wheat

[15] Mohammad Bagher Ghalibaf, Majid Gholami, and Nooshin Mohammadian, "Stability of Food Security in Iran; Challenges and Ways Forward: A Narrative Review," *Iranian Journal of Public Health* 51, no. 12 (December 2022): 2654–2663, accessed November 24, 2024, www.ncbi.nlm.nih.gov/pmc/articles/PMC9874189/.

[16] Observatory of Economic Complexity (website), "Wheat: Latest Trends," accessed November 24, 2024, https://oec.world/en/profile/hs/wheat?yearSelector1=2000.

[17] Edward Wong and Ana Swanson, "How Russia's War on Ukraine Is Worsening Global Starvation," *The New York Times*, January 5, 2023, accessed November 24, 2024, www.nytimes.com/2023/01/02/us/politics/russia-ukraine-food-crisis.html.

[18] Ariane Lüthi, "Russia–Iran: How the Wheat Trade Is Flourishing Despite Sanctions," *Swissinfo*, July 13, 2023, accessed November 24, 2024, https://tinyurl.com/5da7xxkv.

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imports less reliable and less affordable in ways that directly impact the welfare of ordinary Iranians.

As a globally important wheat buyer, Iran was long served by major commodities trading companies, who either sold wheat directly or relied on agents who bid on tenders on their behalf. But following the imposition of financial sanctions on Iran in 2012, the major traders began to scale back their sales to Iran in response to the imposition of Western sanctions. Suddenly, traders were "running scared." Even though food trade remained permissible, "banks could turn around and say they are not happy, so the relationship risk" became a "big factor" in compelling trading houses to cut ties with Iran.[19] The same situation recurred when the Trump administration completed the reimposition of sanctions on Iran in November 2018. That same month, "Cargill, Bunge and other global traders … halted food supply deals with Iran" because the reimposed sanctions "paralyzed banking systems required to secure payments."[20] As the major traders withdrew from the market, a patchwork of smaller traders emerged, who could not provide the same economies of scale.

Similar fragmentation occurred among Iranian importers. The two most significant buyers are government trading companies. The Government Trading Corporation is affiliated with the commerce ministry. The State Livestock Affairs Logistics is affiliated with the agriculture ministry. The two ministries account for about half of Iran's annual wheat imports. Both ministries receive a budget for the purchase of essential commodities. This is part of the government's overall import budget, which also includes activities by a growing number of private sector importers. As government trading companies have struggled to procure wheat reliably, space has opened for private or quasi-private traders with their own financial resources and networks to step in.

Despite this fragmentation, Iranian buyers and foreign traders continue to strike deals – the trade continues to be lucrative. But those deals can prove challenging to execute given the effects of sanctions on the second of the three chains, which links the buyer's bank with the importer's bank. Today, just a handful of Iranian banks maintain correspondent banking relationships with foreign financial institutions.[21] The banking channels between Iran and Europe, where most of the major wheat traders maintain major subsidiaries, are especially limited. Moreover, Iranian importers cannot use the standard financial facilities. After the imposition of sanctions in 2012, Iranian importers

[19] Jonathan Saul and Marcus George, "Sanctions Side Effect Hits Iran's Food System," Reuters, November 28, 2012, accessed November 24, 2024, www.reuters.com/article/iran-food-idUKL5E8MMDVL20121128.

[20] Jonathan Saul and Parisa Hafezi, "Exclusive: Global Traders Halt New Iran Food Deals As U.S. Sanctions Bite – Sources," Reuters, December 21, 2018, accessed November 24, 2024, www.reuters.com/article/us-iran-nuclear-food-exclusive-idUSKCN1OK1OR.

[21] Chady Adel El Khoury, "Impediments to Correspondent Banking in Iran," *International Monetary Fund* 27 (February 2017) accessed November 24, 2024, www.elibrary.imf.org/downloadpdf/journals/002/2017/063/article-A001-en.xml.

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were no longer able to receive letters of credit. As relayed by one European trader when the sanctions first began to bite, "The myriad of sanctions have worked to the point where the Iranian banking system is virtually defunct, thereby not allowing international trade houses to receive workable letters of credit … Their ships are stopped while people figure out how to get payment done, it's a mess."[22] Still today, Iranian wheat importers are forced to work on a cash basis.

Conducting trade on a cash basis is especially problematic, given the volatility in Iran's foreign exchange markets. Wheat importers depend on foreign exchange allocations from the Central Bank of Iran (CBI) to make payments, but the allocations are only made with a soft commitment, even when a tender has been issued by the Iranian government. In recent years, Iran's central bank has struggled to access its foreign exchange reserves owing to the impact of US sanctions. As sanctions depressed Iran's foreign exchange revenues and limited access to reserves, the CBI has struggled to defend the value of the rial. In April 2018, the rial lost 20 percent of its value as expectations rose regarding Trump's withdrawal from the Iran nuclear deal. In turn, the CBI introduced a higher "official exchange rate" of IRR42,000 to the dollar, which remained significantly below the free-market exchange rate of around IRR60,000.[23] All foreign currency allocations were made under the official rate, meaning those allocations were effectively subsidized. But the parallel regimes became unsustainable following the reimposition of US sanctions, under which Iran retained access to just 10 percent of its foreign exchange reserves.[24]

By September 2018, as sanctions sapped Iran's foreign exchange liquidity, the free-market exchange rate surged to IRR190,000. In response, the CBI changed tack and moved to partially liberalize the exchange rate system. The bank established the Integrated Foreign Currency Trading System, known by its Persian acronym "NIMA." The CBI obligated Iranian exporters to repatriate foreign exchange earnings, which would be sold through the NIMA exchange, thereby supplying foreign currency to Iranian importers. In parallel, the CBI maintained the subsidized exchange rate of IRR42,000 to the dollar. But only Iranian importers of food products, medical goods, and a limited range of other "essential" products could apply for foreign currency allocations at this subsidized rate. Over time, the list of eligible products was whittled down. From this list, wheat constituted the largest portion of foreign currency expenditures.

[22] Jonathan Saul and Michael Hogan, "Iran Grain Shipments Stranded as Sanctions Bite," Reuters, January 30, 2012, accessed November 24, 2024, www.reuters.com/article/iran-grains-shipments-idUSL5E8CU2YB20120130.

[23] Amir Paivar, "Iran Sets Single Foreign Exchange Rate to Rescue Currency," BBC, April 10, 2018, accessed November 24, 2024, www.bbc.com/news/world-middle-east-43715971.

[24] Esfandyar Batmanghelidj, "What's the Deal with Iran's Foreign Exchange Reserves?" Bourse & Bazaar Foundation, April 13, 2021, accessed November 24, 2024, https://tinyurl.com/53fkmnu9.

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This system remained in place until May 2022, when the Raisi administration moved to eliminate the subsidized exchange rate altogether, effectively removing one of the subsidies for the price of bread.[25] At the time, the Raisi administration claimed that the subsidy reform would enable the government to better meet the needs of vulnerable citizens. Instead of spending billions of dollars to make wheat imports cheaper, the government could reallocate that money directly to the neediest families. In a television interview launching the subsidy reform, then President Ebrahim Raisi declared, "Today, subsidies are being wasted and people are witness to corruption and discrimination in this regard. How can we let this continue?"[26] Ultimately, the subsidy reform failed. The reform had a negligible impact on the further devaluation – the rial has lost more than 60 percent of its value in the last five years. The reform also led to a sharp increase in the price of bread. Between April 2022 and June 2022, the consumer price index for the price of bread and cereals jumped 28 percent. The government's failure to cushion the blow of higher prices using targeted cash transfers led to protests, although the rate of bread and cereals inflation did ease somewhat after the initial price shock.[27]

The ongoing crisis of Iran's dysfunctional foreign exchange markets and the related payment disruptions have in turn led to disruptions in wheat deliveries. With the wheat trade operating on a cash basis, traders will not authorize vessels to unload their cargoes until payment has been received. These payments are frequently delayed. Since 2018, when the Trump administration's sanctions again throttled Iran's access to its foreign exchange reserves, there have been regular backlogs of dry bulk carriers at the anchorage point for Bandar Imam Khomeini, Iran's largest port.[28] At any given time, dozens of bulk carriers are at anchorage, often waiting several weeks before they receive instructions to move into port and offload their wheat, other grains, or soybeans.[29] In the first six months of 2023, dry bulk carriers spent an average of forty-one days waiting at anchorage before delivering their cargoes at Bandar Imam Khomeini. By comparison, at Iraq's Umm Qasr Port, just 80 nautical miles away, dry bulk carriers waited an average of only four days at anchorage.[30]

[25] Bijan Khajepour, "Deep Data: What Raisi's 'Economic Surgery' Means for Iran," *Amwaj*, June 1, 2022, accessed November 24, 2024, https://tinyurl.com/yy5weu63.

[26] Najmeh Bozorgmehr, "Iran's Raisi Cuts Back on Bread Subsidies," *Financial Times*, May 10, 2022, accessed November 24, 2024, www.ft.com/content/15c77929-395a-4f28-a09e-c74c7c46a2ab.

[27] Reuters, "Soaring Bread Prices Spark Protests and Shop Fires in Iran, IRNA Reports," May 13, 2022, accessed November 24, 2024, https://bit.ly/4ea90vy.

[28] Esfandyar Batmanghelidj, "Delays Hit Iran's Imports of Soybeans, Maize As Ships Remain Anchored Offshore," Bourse & Bazaar Foundation, December 10, 2018, accessed November 24, 2024, https://tinyurl.com/4bfu4kxd.

[29] Jonathan Saul and Nigel Hunt, "Dozens of Merchant Ships Stuck Off Iran As Payment Snags Bite – Sources," Reuters, December 21, 2022, accessed November 24, 2024, https://bit.ly/4jZrS3r.

[30] Author's calculations using data from Marine Traffic. See: Marine Traffic (website), "Port Congestion," accessed November 24, 2024, https://help.marinetraffic.com/hc/en-us/articles/360015377091-Port-Congestion.

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Weeks waiting in the humid air of the Persian Gulf can cause spoilage, as mold grows in the wheat cargos, but the more important consequence of the delays is financial. Vessel owners charge a demurrage fee for each day their vessel is stuck at anchorage – these fees can be as high as $15,000 per day.[31] Traders pass these costs onto the importer, who will in turn pass the costs onto Iranian flour mills. Eventually, demurrage fees lead to higher prices for ordinary Iranians. Between 2006 and 2012, Iran's average implied import price (the price calculated by comparing total declared value of wheat imports to volume) was $289 per metric ton. Between 2012 and 2020, that price has risen to $374 per metric ton, a 29 percent increase. Notably, across the same two periods, the Argentina average market price, a commonly used benchmark for global wheat markets, decreased 2 percent.[32] In short, Iran appears to be paying higher prices for wheat in global markets owing to the effects of sanctions on the wheat supply chain.[33] Once the wheat is imported, chronic inefficiencies and rent-seeking in Iran's agri-food sector further serve to inflate wheat prices.[34] In the face of inflation and currency devaluation, importers and flour mills are protecting their margins. Grain and flour are even being smuggled out of Iran into Iraq and Pakistan. For those in Iran's poorest regions, the consequences have been devastating. As described by a resident of Sistan-Baluchistan, a region on the border with Pakistan: "Flour means food for many families here, if they have no flour they have no bread and that literally means that they have nothing to eat."[35]

CONVOLUTED SOLUTIONS

In response to a ruling of the International Court of Justice (ICJ), as well as media pressure, US authorities have taken steps to try and address concerns that sanctions may be disrupting humanitarian trade. But rather than ensure that trade in food and medicine can continue as normal even while Iran is under sanctions, US authorities have created convoluted "trade arrangements." The Trump administration began work on such an arrangement in late 2018, just a couple of months after the ICJ issued a provisional ruling in which it found that the US sanctions must not prevent the "exportation to the territory of Iran

[31] Jonathan Saul and Parisa Hafezi, "Exclusive: Ships with One Million Tonnes of Grain Stuck Outside Iran's Ports in Payment Crisis," Reuters, October 2, 2019, accessed November 24, 2024, www.reuters.com/article/us-iran-shipping-food-exclusive-idUSKBN1WH21A.

[32] Author's calculations using data from the Islamic Republic of Iran Customs Administration and the U.S. Department of Agriculture.

[33] Jonathan Saul, Ana Mano, and Joori Roh, "Iran Struggles to Buy Food in a World Wary of Touching Its Money," Reuters, July 30, 2020, accessed November 24, 2024, www.reuters.com/article/us-iran-food-imports-insight-idUSKCN24V0NO.

[34] Babak Dehghanpisheh, "Corruption Cases Tarnish Image of Iran's Hard-Line President," *Washington Post*, July 13, 2022, accessed November 24, 2024, https://tinyurl.com/rppm8t5h.

[35] Alijani Ershad, "Iran: People Who Could Only Afford Bread Now Have Nothing," France 24, July 12, 2023, accessed November 24, 2024, https://tinyurl.com/5n8xwe4v.

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of goods required for humanitarian needs such as medicines, medical devices and foodstuffs and agricultural commodities as well as goods and services required for the safety of civil aviation."[36] Iran had filed suit against the US, arguing that the Trump administration's reimposition of sanctions violated the 1955 Treaty of Amity between the two countries, particularly because of the humanitarian consequences of those sanctions.[37]

While the Trump administration rejected the court's ruling (and then withdrew from the treaty), increased media attention spurred US policymakers to address concerns that "maximum pressure" sanctions were having negative humanitarian effects. The Trump administration began discussions with the Swiss government around the creation of a special payments channel to ease Iran's ability to pay for food and medicine.[38] The so-called Swiss Humanitarian Trade Arrangement (SHTA) would effectively revive a payments channel that had been used to facilitate humanitarian trade during the Obama administration, a period in which the US directly exported wheat to Iran, as major agricultural traders, most of them US companies, took advantage of general licenses permitting humanitarian trade.[39] During the Obama administration, Swiss banks maintained correspondent banking relations with Iranian private sector banks to facilitate sales by Swiss pharmaceutical giants and Geneva-based international trading houses to Iran.

The Trump administration tapped Banque de Commerce et de Placements (BCP) as the beneficiary bank for SHTA. As during the Obama administration, BCP would receive special assurances from the US government on the permissibility of humanitarian trade with Iran. But these assurances would be provided on strict conditions. Swiss companies using BCP would be obligated to provide significant documentation about the proposed transactions and even to disclose information about "the financial holdings of the Iranian banks from which they expect to receive payment."[40] Understandably, Iranian authorities were reluctant to endorse a mechanism that gave the US such extraordinary control over its humanitarian trade. Even European officials likened

[36] Stephanie van den Berg, "World Court Orders U.S. to Ensure Iran Sanctions Don't Hit Humanitarian Aid," Reuters, October 3, 2018, accessed November 24, 2024, www.reuters.com/article/uk-iran-nuclear-usa-sanctions-idUKKCN1MD0OO.

[37] ICJ, "Alleged Violations of the 1955 Treaty of Amity, Economic Relations, and Consular Rights (*Islamic Republic of Iran* v. *United States of America*)," October 3, 2018, accessed November 24, 2024, https://tinyurl.com/553j5sxz.

[38] Catherine Bosley and Ladane Nasseri, "Swiss Exploring Payment Channel for Iran Humanitarian Trade," Bloomberg, December 19, 2018, accessed November 24, 2024, https://tinyurl.com/yc246nxd.

[39] Emily Stephenson, "Iran Buys U.S. Wheat Despite Nuclear Tensions," Reuters, March 1, 2012, accessed November 24, 2024, www.reuters.com/article/us-usa-iran-wheat-idUSTRE8201TP20120301.

[40] Esfandyar Batmanghelidj and Sahil Shah, "As Iran Faces Virus, Trump Admin Fails to Use Swiss Channel to Ease Medical Exports," *European Leadership Network*, May 6, 2020, accessed November 24, 2024, https://tinyurl.com/3c98ah7k.

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the reporting requirements to a "fishing expedition" for sensitive information about Iran's financial sector.[41] The Trump administration itself was undecided about implementation of the channel, with some officials considering SHTA an unnecessary concession to Iran. In the end, it took more than a year before SHTA processed its first transaction. In January 2020, the Trump administration launched SHTA, facilitating several shipments of cancer medication to Iran.[42] But there would be just one further transaction, which took place later that summer. Even as the Covid-19 pandemic brought further attention to the possible humanitarian harms of sanctions, the SHTA floundered and Iran continued to struggle to import food and medicine.

Despite its failure, the SHTA served as the model for a new humanitarian channel established in Qatar in September 2023. Created as part of a prisoner-swap deal which led to the release of five American citizens wrongfully detained in Iran, the humanitarian channel allowed Iran to access $6 billion of reserves formerly frozen in two South Korean banks and to use these funds for humanitarian trade.[43] The Qatar humanitarian channel was the first such channel created as part of a formal agreement with Iran. It was also the first channel built around bank accounts in which Iran maintains significant reserves. But just four weeks after its creation, the channel's future was already in doubt. Reports emerged that the Biden administration had moved to "re-freeze" the funds, as Republican lawmakers argued without providing evidence that money had been used to fund the Hamas attack on Israel in on October 7, 2023.[44]

The failure of the SHTA and the Qatar humanitarian channel make clear that special arrangements to facilitate humanitarian trade are inherently vulnerable. For humanitarian exemptions to truly mitigate the harms of sanctions policies, they must ensure that no special arrangements are necessary to conduct food and medicine trade with a sanctioned country. Trade must be conducted on regular terms and on a routine basis. To that end, the Biden administration moved to adopt a set of overarching general licenses permitting agricultural and medical trade across all US sanctions programs. Issued in December 2022 as part of US implementation of UNSC Resolution 2664, which creates similar sanctions exemptions across all UN sanctions programs,

[41] Esfandyar Batmanghelidj, "Treasury Department Makes Unprecedented Iran Sanctions Move," Bourse & Bazaar Foundation, February 5, 2020, accessed November 24, 2024, www.bourseandbazaar.com/articles/2020/2/5/treasury-department-makes-unprecedented-iran-sanctions-move.

[42] Michael Shields and Humeyra Pamuk, "U.S. Says First Shipments of Medicine to Iran Delivered via Swiss Humanitarian Channel," Reuters, January 30, 2020, accessed November 24, 2024, www.reuters.com/article/uk-swiss-iran-idUKKBN1ZT20D.

[43] The White House, "Background Press Call by Senior Administration Officials on the Return of American Detainees from Iran," Press Release, September 17, 2023, accessed November 24, 2024, http://bit.ly/4jZkgh57.

[44] 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, accessed November 24, 2024, www.washingtonpost.com/business/2023/10/12/iran-oil-fund-us-israel/.

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the "Ag-Med" general licenses "authorize transactions related to the provision, directly or indirectly, of agricultural commodities" as related to "humanitarian activities or activities to meet basic human needs."[45] While largely a repackaging of the various preexisting licenses and exemptions, the general licenses reflect a more proactive and practical approach to addressing the humanitarian harms of sanctions, whereby the US government seeks to provide comfort to banks and traders to conduct routine business, without the need to rely on special channels. But banks, shipping companies, and other private actors have long been fearful of engaging with sanctioned countries, even for legal transactions, given the severity of the US penalties for even inadvertent errors. As Trump continues to pressure Iran with sanctions and military action in his second term, it remains to be seen whether the new measures, and any related outreach to traders and banks, will lead to a sustained improvement in Iran's ability to import wheat reliably and affordably.

CONCLUSION

For over a decade, US sanctions have made it far harder for Iranian importers to pay traders for wheat, even though such trade is subject to general licenses permitting trade on humanitarian grounds. Moreover, even when a viable payment channel is found, traders struggle to charter vessels to deliver that wheat to port. The challenges inherent in selling wheat to Iran mean that traders extract a higher price from Iranian importers. In this way, sanctions contribute to structurally higher prices for wheat in Iran. Considering that the negative humanitarian effects of sanctions are both persistent and systemic and have long been known to US officials, it is difficult to conclude that the effects are truly unintended. In fact, around 70 percent of Iranians believe that the US is "seeking to prevent humanitarian-related products from reaching Iran," according to four waves of national representative surveys commissioned by researchers at the University of Maryland between May 2019 and February 2021.[46] Importantly, the same polling shows that most Iranians blame domestic mismanagement over sanctions as the primary cause of the country's economic malaise. Iranians have a sophisticated understanding of the crisis they continue to endure and know whether to blame callous officials in Washington or Tehran for a given aspect of that crisis. Iranians can rightly blame officials in Washington for the rising price of bread and they can reasonably ask whether those officials intend to sow discord.

[45] U.S. Department of the Treasury, "Supplemental Guidance for the Provision of Humanitarian Assistance," February 27, 2023, accessed November 24, 2024, https://ofac.treasury.gov/media/931341/download?inline.

[46] Center for International and Security Studies at Maryland, "Iranian Public Opinion at the Start of the Biden Administration: Report," February 24, 2021, accessed November 24, 2024, https://tinyurl.com/58w2v98n.

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