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### US labels branch of Iran's Armed Forces as 'terrorist' group in latest move to hinder Iranian economy

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By Sascha Matuszak

The United States designated Iran's Islamic Revolutionary Guard Corps (IRGC) as a Foreign Terrorist Organization (FTO) on April 8, a move described as unprecedented by members of the U.S. government and some media.

The IRGC is an element of a foreign government, and this would mark the first time a part of a foreign government was designated as a FTO; it would be akin to a foreign government designating the U.S. Marine Corps as a terrorist organization. Several governments and entities within foreign states (e.g., Syria, Russia, Iran, Venezuela) are designated as prohibited parties by the U.S., and several governments have been accused by the U.S. as being sponsors of terrorism, but this is apparently the first time a government entity has ever been labeled a terrorist organization.

"Today, the Secretary of State announced that he intends to designate the [IRGC] as [an FTO] under Section 219 of the Immigration and Nationality Act," [read a statement](#) released by the Department of Justice. "After the FTO designation takes effect, any person will be prohibited from knowingly providing material support or resources, as defined under the law, or attempting or conspiring to do so, to the IRGC."

Although the IRGC is allegedly deeply involved in many aspects of the Iranian economy, it is unclear if major U.S. or European banks, companies or other financial institutions have conducted or are conducting any business with IRGC companies or individuals. It is also very difficult to determine if a company is affiliated or owned by the IRGC, and equally difficult to determine if an individual is a member of the IRGC.

Under the designation, members of the IRGC travelling abroad could be arrested and extradited to the U.S., and those individuals are also prohibited from entering or living in the U.S.; companies are banned from providing any material support to the group, including financial services, training equipment, expert advice, weapons or transportation. This could have a chilling effect in military-to-military cooperation between Iran and other states, such as Russia, China or Turkey. The U.S. goal seems to be focused on preventing entities from doing business in sectors of Iran's society in which the IRGC has a strong influence or control. But it is hard to determine the people or companies associated with the IRGC, and trying to enforce the policy could backfire.

The effect that the designation will have on actual company activities, especially in the West, is also unclear. If Air France, for example, were to fly an alleged member of the IRGC from Tehran to Paris, would the U.S. Department of Justice know about it, and if so, would it go so far as to enforce sanctions on Air France? The possibility does exist, under so-called secondary sanctions, which allows the U.S. to theoretically sanction entities even if there are no U.S. goods or services involved. The consequences of pursuing alleged violators of the policy, however, could outweigh the benefits of sanctioning a member of the IRGC.

"It's a political move, more symbolic than anything," said Thad McBride, Partner at Bass, Berry & Sims PLC. "In some sense, it could give us leverage over Iran during whatever negotiations might happen in the future."

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## Signal to others

The designation came right before elections in Israel and during trade negotiations with China. If the designation is indeed more political than commercial, which stands to reason given the scant amount of actual business that can be traced back to Western companies and the IRGC, then the message may be not intended for Western companies.

Chinese companies have been in the sights of various U.S. enforcement agencies during the recent trade conflict. Both ZTE Corporation and Huawei Technologies Co. Ltd. have had their activities significantly curtailed, either through sanctions or other lawsuits, and it is conceivable that the U.S. could impose further sanctions on Chinese firms found to be doing business with entities associated with or owned by the IRGC. The case against Huawei executive Meng Wanzhou revolves around Huawei's transactions with Iran through Hong Kong-based companies. It is plausible that the U.S. could use secondary sanctions to impose significant restrictions on a Chinese company's ability to do business with the U.S.

The U.S. has been isolating the Iranian economy since it withdrew from the Joint Comprehensive Plan of Action in May 2018. Sanctions imposed during August and November of 2018 crippled much of the Iranian economy, and U.S. actions since then, including public chastising of European Union efforts to save the agreement, have contributed heavily to Iran's isolation.

This most recent designation, although perhaps mostly symbolic, demonstrates the U.S.'s determination to shut down any commerce between the wider world and Iran, in an attempt to effect regime change in that country and end Iran's influence in the Middle East.

## Takeaways

- The designation of Iran's Islamic Revolutionary Guard Corps is unprecedented and could have significant downstream effects for companies that do business with Corps-controlled areas of the Iranian economy.
- The designation may also be largely symbolic and reflects the U.S.'s determination to maintain significant pressure on the Iranian government to ultimately effect regime change.

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