

Abstract: We examine the distributional consequences of sanctions on local labor markets in Iran. First, we find that the discontinuation of SWIFT in March 2012 caused a large decline in Iran's manufacturing trade flows, sharply reducing both its imports and exports by around 50% by 2015. We show that the decline is both in values and in number of varieties, and covers almost all sectors and types of products. To examine the effect of sanctions by regions, we use labor force surveys from Iran, proxying a shahrestan's (county's) exposure to sanctions by its initial sectoral composition. Our empirical analysis shows sharp geographical inequality in who bears sanction costs. Regions with industries that relied on exports and imported intermediates suffered the greatest in terms of job losses between 2011 and 2015. We find no employment gains for counties that harbored import-competing industries nor significant wage adjustments across regions.