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The Importance of Increasing Economic Sanctions on Iran

The United States can take several crucial steps to prevent the Iranian regime from developing a nuclear weapons capability. These include passing the Iran Counter-Proliferation Act (ICPA) and the Iran Sanctions Enabling Act (ISEA) and designating Iran's Islamic Revolutionary Guard Corp (IRGC) as a terrorist group. ICPA would place robust economic sanctions on companies investing in Tehran, while ISEA authorizes state and local governments to divest from companies investing in Iran's petroleum and natural gas sector. The designation of the IRGC would isolate a key element of the regime. Implementing these initiatives would reflect America's determination to exhaust all diplomatic, economic and political measures to pressure Iran to abandon its nuclear weapons program.

Q: Won't passage of ICPA and ISEA undermine U.S. efforts at the Security Council to sanction Iran?

A: The U.N. Security Council has passed two resolutions sanctioning Iran for its continuing defiance of the international community. However, more action is needed to prevent Iran from developing a nuclear weapons capability. Individual measures by countries, combined with serious action by the U.N. Security Council, will send an even tougher message to the Iranians that the world will not accept their refusal to suspend their uranium enrichment program. Previous U.S. sanctions, such as those against Iran's Bank Saderat, have actually led the U.N. Security Council to implement its own sanctions.



Iran's nuclear facility in Isfahan is a central component of its illicit nuclear arms program.

Sanctions under ICPA are limited to less than 20 companies known to be investing significant resources in Iran's petroleum sector. ISEA does not sanction any company but rather authorizes states and local governments to make their own decisions about whether they want to invest public funds in companies investing in Iran's energy and natural gas sectors.

Some have argued that the mandate in ISEA to publish a list of companies investing in Iran's energy sector will undermine U.S. efforts at the U.N. They believe that countries will retaliate for the inclusion of their companies on the list by blocking further U.N. action. If the international community truly believes that Iran poses a threat, all diplomatic, economic and political steps that can be used to prevent a nuclear-armed Iran should be seen as a positive rather than a negative step.

Q. Won't sanctioning European companies hurt our relations with our European allies?

A: While our European allies are working with the United States to impose sanctions on Iran at the United Nations, they have not taken strong enough steps to prohibit their own companies from investing in Iran's petroleum and natural gas sector, the lifeblood of Iran's economy. The United States has refrained from imposing sanctions under the Iran Sanctions Act (originally passed in 1996 as the Iran Libya Sanctions Act) for more than a decade. Iran poses a strategic threat not only to the United States, but to our European allies and other nations around the globe. Preventing a nuclear-armed Iran must trump financial considerations. Any and all diplomatic, economic and political steps that can be taken to prevent a nuclear Iran must be taken now.

Q. Why sanction companies investing in Iran's energy sector if the sanctions are not likely to have any effect?

A: The mere threat of the imposition of U.S. sanctions has already dramatically inhibited Iran's ability to maintain its aging oil infrastructure. Major international energy companies such as British Petroleum have already pulled out of the Iranian market over fears that the U.S. may impose sanctions on them. Companies such as Royal Dutch Shell and Repsol have delayed new investments as they weigh the risk of U.S. action. The lack of foreign investment has led to a dramatic decrease in the amount of oil Iran is able to export. Today, Iran pumps 40 percent less oil than it did 25 years ago, even though its population has doubled. The lack of investment has also limited Iran's ability to develop gasoline refineries, resulting in the need for Iran to import more than 40 percent of its gasoline and impose gas rationing on its citizens.

A new law requiring the imposition of sanctions on companies investing a minimum of \$20 million in Iran's energy sector will further reduce Iran's ability to produce oil, which accounts for more than half of its government revenues and 70 percent of its exports. Considering the success of previous legislative efforts, the passage of ICPA holds the potential to be even more effective in deterring Iran's pursuit of nuclear weapons.

Q: Why should we sanction the Islamic Revolutionary Guard if U.S. companies do not conduct business with it?

A: While U.S. companies are barred from conducting business in Iran, a U.S. designation of the IRGC as a Specially Designated Terrorist Group will force foreign companies doing business with the U.S. and with the IRGC to decide between the two. The United States should not allow companies who do business with terrorists to do business in the United States.

Many international banks follow the U.S. terrorist list even though they are not under a legal requirement to do so. Many foreign banks understand the reputational risk involved in doing business with a U.S.-designated entity and therefore end their business relationship. Banks also understand that under current U.S. law they could be subject to lawsuits by victims of terrorism because of their connection to the designated group. The designation also raises the cost of business for the group as it must take additional steps to conceal its activity or find new means for conducting business.

The U.S. Treasury Department has already had great success in limiting Iran's access to international financial systems by threatening to cut international banks out of U.S. markets if they continue to do business in Iran. Similarly, the threat of being locked out of the U.S. market will likely force many international businesses to end their cooperation with the IRGC. The IRGC controls a large part of the Iranian economy, including a substantial portion of the country's oil and gas industry, making it extremely vulnerable to sanctions.

Q: Won't U.S. sanctions against the Iranian Revolutionary Guard inhibit efforts to engage Iran?

A: No. If Iran is serious about engaging with the United States or the international community, designating the Revolutionary Guard will not impact the ability of Iran to initiate a dialogue. The United States in conjunction with the U.N. Security Council has laid out a clear path for negotiations with Iran based on the suspension of Iran's enrichment of uranium. Iran has shown no interest in a suspension and no interest in serious negotiations over its nuclear program. In fact, Iran has rebuffed numerous U.S. and European efforts to engage its leadership. When negotiations have taken place, they were used to cover Iran's continued pursuit of atomic arms.

Designating the IRGC could provide leverage to encourage Iran to come to the negotiating table. North Korea only came to the negotiating table after tough U.S. and U.N. sanctions were imposed. Likewise, the goal of lifting sanctions brought Libya to the negotiating table. Sanctions on the IRGC may be the added pressure needed to force Iran into changing course and ending its nuclear program.

Further, sanctions on the IRGC are required by U.N. Security Council Resolutions 1737 and 1747. The resolutions require all nations to freeze the assets of several senior IRGC commanders, including the recently replaced commander of the Guard, the deputy commander, the head of the IRGC navy and the head of the IRGC ground forces. Any persons or entities acting on the behalf or direction of—or that are owned or controlled by—these individuals are also subject to sanction.