

MEMO

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IAEA-Iran Talks Allow Tehran to Advance Nuclear Program

The International Atomic Energy Agency's (IAEA) recent agreement to give Tehran more time to clear up longstanding questions about the regime's nuclear activities is allowing Iran to advance its nuclear efforts while staving off further sanctions. Both the IAEA and the recent National Intelligence Estimate (NIE) conclude that Iran has made significant progress in its ability to enrich uranium—the critical component for nuclear weapons. The United States should take the lead in increasing economic pressure on the regime by implementing existing U.S. sanctions law targeting foreign firms operating in Iran.

The Iran-IAEA dialogue has so far failed to address key problems with Iran's current and past nuclear activities.

- The dialogue between Iran and the IAEA has failed to address concerns related to Iran's undeclared nuclear activities. The recent NIE confirmed Iran had a clandestine nuclear weapons program that the IAEA has not seriously addressed yet.
- Iran continues to delay and obstruct IAEA efforts to account for Iran's past nuclear activity, including any covert uranium enrichment activity. An IAEA report in November found Iran is not providing active cooperation and full transparency to the agency, saying Iran's cooperation was "reactive rather than proactive."
- The IAEA increasingly is facing difficulties in monitoring Iran's current nuclear activities. Iran's refusal to ratify the Additional Protocol to enhance monitoring of nuclear facilities has limited the IAEA's access to key sites where Iran may be conducting nuclear activity. As a result, the agency's knowledge about Iran's current nuclear program is diminishing.
- The failure to meet the end of 2007 deadline set by the IAEA to resolve issues with Iran's nuclear program files confirms Tehran's intent to forestall sanctions while advancing its nuclear program. IAEA Director-General Mohamed ElBaradei said in October the deadline was a "litmus test" and if Iran failed it would prove Tehran was "just buying time."



The U.S. can increase pressure on Iran by sanctioning firms doing business with the Iranian Revolutionary Guard, which controls 30% of Iran's economy.

Iran continues to violate U.N. Security Council Resolutions 1737 and 1747, which demand that Iran suspend its nuclear activities.

- The NIE affirmed that Iran's uranium enrichment program—the key process needed to produce the fuel for nuclear weapons—continues to progress, despite successive U.N. Security Council resolutions calling for Iran to suspend these efforts.
- The IAEA Board of Governors' most recent report said that Iran is continuing construction of the heavy water production plant at Arak in direct violation of U.N. Security Council Resolutions 1737 and 1747.
- According to the NIE, if Iran continues its enrichment activity it will likely be able to produce sufficient fissile material, or fuel, for a weapon by the early part of the next decade, and a weapon shortly thereafter.

Failure to enforce current sanctions has undermined international efforts to isolate Iran.

- While reports indicate that the U.N. Security Council has agreed to a text of a new resolution on Iran, the Security Council has not passed a resolution since Iran missed a May deadline to comply with previous resolutions requiring a suspension of uranium enrichment activities. Continued delay will only bolster Iran's view that it can continue its illicit activity with impunity.
- Current Security Council sanctions are not being implemented. International companies continue to do business with Bank Sepah, despite Resolution 1747's requirement to freeze the bank's assets. Countries continue to import weapons from Iran despite a ban on such activity.
- While a number of international companies have backed away from investing in Iran, several have perceived the lull in enforcing sanctions as a green light to pursue investment in Iran. Some Chinese banks, for example, have resumed deals that were suspended with the imposition of U.S. and U.N. sanctions, and the Russian oil giant Gazprom recently announced it intends to expand energy cooperation with Iran.

The United States must implement sanctions on foreign companies violating U.S. sanctions on Iran.

- The United States should sanction foreign companies investing more than \$20 million in Iran's energy sector in violation of the Iran Sanctions Act. Several states have already passed legislation to divest their pension funds from these companies.
- The United States should sanction foreign banks who continue to conduct transactions with the four state-owned Iranian banks subject to U.S. or U.N. sanctions. Until the sanctions are implemented, many foreign banks will continue to conduct business as usual.
- The United States should sanction foreign entities that continue to do business with the Iranian Revolutionary Guard Corps (IRGC), which controls more than 30 percent of the Iranian economy. Five IRGC patrol boats recently threatened U.S. naval vessels traveling through the Straits of Hormuz in international waters.