

MEMMO

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U.S. Implements Tough New Sanctions on Iran

The United States has stepped up efforts to persuade Iran to suspend its illicit nuclear activities by imposing a new series of sanctions that build on previous economic, political, and diplomatic measures. These moves come as U.S. intelligence head Mike McConnell said Iran could “probably” produce enough fissile material for a nuclear weapon as early as 2010. Russia, China and EU countries should now join the United States in raising the cost and heightening the risk of doing business with an Iran bent on acquiring a nuclear weapons capability by effectively implementing their own comprehensive sanctions regime.

The United States has taken a number of steps in recent weeks to increase pressure on Iran.

- The Coast Guard added Iran to its Port Security Advisory List, heightening security measures for ships entering the United States that had recently traveled to Iran. In 2007, nearly 100 ships sailed directly into American ports from Iran.
- The Commerce Department suspended the export privileges of several British and Armenian firms after they were found to have violated U.S. law by illegally supplying Iran with Boeing 747 aircraft.
- The Treasury Department’s Financial Crimes Enforcement Network issued an advisory to U.S. banks warning that Tehran is using the Central Bank of Iran and “an array of deceptive practices” to hide the bank’s involvement in nuclear proliferation, terrorist activities and money laundering to evade international financial sanctions.
- The Treasury Department sanctioned Bahrain’s Future Bank for acting as a front for Iran’s Bank Melli, which itself was previously sanctioned for facilitating Iran’s proliferation activities. The action marked the first time a bank outside of Iran has been sanctioned.
- The American actions follow the adoption of a third U.N. Security Council sanctions resolution declaring Iran a threat to international peace and security. The resolution also demands an immediate suspension to both uranium enrichment and construction of a heavy-water reactor designed to produce plutonium—key elements needed to develop nuclear weapons.



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These steps further raise the cost of doing business in Iran, forcing international entities to reconsider their economic ties to Tehran.

- Scores of international banks, unwilling to risk heavy penalties and the possible loss of access to U.S. financial markets, have either ceased or significantly scaled back their transactions with Iran. This month's actions by the Treasury Department are likely to lead more banks to reconsider their business dealings with Iran.
- Existing U.S. and U.N. sanctions have led to capital shortage and a dramatic rise in the cost of business financing. Companies seeking to do business with or in Iran are now forced to use smaller banks or go through middlemen to arrange new letters of credit, adding 10 to 20 percent to their costs.
- Sanctions have also dramatically increased the cost of doing business in Iran, with prices of many European goods increasing by as much as 50 percent. Measures targeting Iranian ports are likely to further raise the cost of transporting goods to Iran.
- Recent Commerce Department actions highlight the difficulty Iran faces in importing sophisticated technology. Sanctions have already prevented Iran from importing enhanced oil recovery technology needed to increase production at many of its aging oil fields.
- Importation of raw materials to Iran has also become problematic. French auto giant Renault was forced to cut its production forecast for some vehicle plants in Iran by more than 75 percent, following problems importing primary materials prohibited under international sanctions.

The EU, Russia and China should join the United States in implementing tough sanctions to increase the pressure on Iran.

- As called for by the U.N. Security Council, the EU should halt the provision of export credits that back investment in Iran. The EU should also sever all ties with Iran's Bank Melli and Bank Saderat.
- China and Russia, both of which continue to expand their trade with Iran, should suspend all new business with Tehran. In addition, neither nation should fill the void left by European and other nations that have reduced their business dealings with the regime.
- The United States should take further steps to designate the Central Bank of Iran as a supporter of terrorism and weapons proliferation, and impose sanctions against additional foreign banks that continue to conduct transactions with the four state-owned Iranian banks subject to U.S. or U.N. sanctions.
- The United States should also sanction foreign entities that continue to do business with Iran's elite Islamic Revolutionary Guard Corps in violation of U.S. sanctions law.
- All nations must fully abide by the multiple U.N. sanctions resolutions on Iran, including the prohibition against importing arms from Iran and the call for vigilance and restraint in the provision of heavy weapons to Iran. Countries should also heed the call for inspection of certain cargoes going to and from Iran.