

MEMMO

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U.S. Should Do More to Prevent Nuclear-Armed Iran

Iran poses a major threat to the United States and our allies as it continues to advance its uranium enrichment capability in defiance of international law. Faced with the prospect of a nuclear-armed Iran, the United States should move quickly to implement measures that could have a major impact on efforts to prevent such a dire scenario. The United States should use existing law to sanction foreign companies investing more than \$20 million in Iran's oil and gas sector, sanction Iran's central bank and foreign companies doing business with sanctioned Iranian entities, and cut off the flow of sensitive technologies to Iran.

Iran continues to advance its nuclear program in direct violation of international law.

- Iran's recent announcement that it has begun installing 6,000 more centrifuges at its Natanz uranium enrichment facility represents a serious escalation of Tehran's illicit nuclear program.
- If Iran masters the ability to operate the 6,000 centrifuges—in addition to the more than 3,000 it currently has running—it could produce enough highly enriched uranium for one to three nuclear weapons a year.
- At the same time, Iran is testing advanced P-2 centrifuges, which are capable of enriching uranium at two to five times the speed of older models.
- The U.N. Security Council has passed three resolutions demanding that Iran suspend its uranium enrichment activity. The resolutions, passed under Chapter VII of the U.N. charter, are the highest form of international law.
- Secretary of Defense Robert Gates recently said he believes that Iran is pursuing a nuclear weapons program, saying in his judgment Iran is “hell-bent on acquiring nuclear weapons.”



Iranian President Mahmoud Ahmadinejad inspects the country's advancing uranium enrichment efforts in the Natanz nuclear facility.

The United States should implement existing law and sanction foreign energy companies investing in Iran's energy sector.

- The United States has not imposed sanctions on a dozen foreign companies that have invested more than \$20 million in Iran's energy sector despite the prohibition of such investment under the Iran Sanctions Act (ISA).

- While the law has discouraged many foreign companies from investing in Iran, other firms, seeing that no sanctions have been imposed, continue to seek major investments in Iran's oil and gas sector.
- In filings with the Securities and Exchange Commission, many companies publicly disclose investments in Iran and the risk they potentially face from U.S. sanctions. France's Total, Norway's StatoilHydro, and Britain's Royal Dutch Shell in their 2007 annual reports disclose investments that violate the law.
- Additionally, a number of states have passed laws to divest their pension holdings from these companies investing more than \$20 million in the oil and gas sector. Several states, including Florida and Colorado, have already published lists of companies investing beyond this threshold.
- The House of Representatives last year overwhelmingly passed the Iran Counter-Proliferation Act, closing the loophole in ISA that has allowed companies to avoid sanctions. The Senate should pass similar legislation it is considering and the president should sign the bill into law.

The United States should sanction the Central Bank of Iran and any foreign company conducting business with Iranian entities under U.S. sanction.

- The Central Bank of Iran, also known as Bank Markazi, is heavily involved in the funding of terrorism and the financing of Iran's proliferation activities. The United States should designate the Central Bank as a weapons proliferator or terror supporter under existing executive orders.
- The Central Bank is increasingly handling transactions for Iranian banks already designated under U.S. sanctions. Central Bank Governor Tahmasb Mazaheri said on February 5, 2007, that "the central bank assists Iranian private and state-owned banks to do their commitments regardless of the pressure on them."
- Sanctioning the Central Bank—Iran's principal remaining link to the international banking system—would have a dramatic effect on Iran's ability to conduct international business.
- The United States should sanction 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 the Iranian Islamic Revolutionary Guard Corps in violation of U.S. sanctions law.

The United States should increase efforts to stop the flow of technologies to the United Arab Emirates (UAE) and elsewhere that end up in Iran.

- The United States should dramatically increase efforts to prevent Iran from acquiring sensitive technologies via third countries, specifically from the UAE, which has become a major hub for the illegal transshipment of goods to and from Iran.
- Since 2005, six distinct schemes to ship industrial products from the U.S. to Iran via the UAE were prevented or discovered after the fact.
- The transfer of nuclear-grade graphite—a key material needed for the manufacture of a nuclear bomb—was stopped in October 2007 by alert customs agents in India as it was about to be shipped to the UAE and then on to Iran, according to a recent report in *The Times of India*.
- The United States currently has only one export control officer stationed in the UAE. The Dubai port, one of several in the UAE, is the seventh largest container port in the world, handling the equivalent of 10.65 million standard 20-foot cargo containers in 2007.