

MEMMO

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Threat of Additional Sanctions Must Accompany International Offer to Defiant Iran

The United States and other leading nations have offered Iran an incentives package in exchange for a cessation of its enrichment of uranium. Until Iran meets its U.N. Security Council requirements to suspend nuclear enrichment, the international community must continue to increase the economic and political sanctions on Tehran. With sanctions having an increasing impact on Iran, more severe economic and political penalties are key to persuading the regime to abandon its pursuit of nuclear weapons.

Iran's refusal to meet its international obligations has led to increased sanctions that are impacting Iran's economy.

- French energy giant Total SA recently postponed further investments in Iran, citing growing political risk. Total's move follows similar action in May by Royal Dutch Shell and Spain's Repsol, while Italy's Eni said in early July it does not intend to make any new contracts in Iran.
- The withdrawal of the major European energy firms will dramatically impede Iran's plans to increase its natural gas production. Unlike Total, companies from Russia and China that do invest in Iran lack the required technical capabilities to advance Iran's liquefied natural gas ambitions.



Iranian President Mahmoud Ahmadinejad continues to assert that Iran will not stop its uranium enrichment efforts.

- Following America's lead, the European Union has imposed sanctions on Bank Melli, Iran's largest bank, for facilitating numerous purchases of sensitive materials for Iran's nuclear and missile programs. The bank has lost a third of its total assets in the past two years.
- The U.S. Treasury Department on July 8 sanctioned four Iranian firms and four individuals with ties to Tehran's nuclear and missile programs. The move will freeze any financial assets found in the United States and prohibit Americans from doing business with them.
- Despite record high oil prices, Iran's economy continues to struggle under the pressure of sanctions and the lack of foreign investment. Last fiscal year, Iran's deficit was more than \$10 billion and inflation has spiked to 25 percent.

Iran's nuclear program and missile programs continue despite a generous international package of incentives.

- Iran is rapidly moving toward a nuclear weapons capability, aggressively pursuing a uranium enrichment program. IAEA Director-General Mohamed ElBaradei recently said that if Iran chose to do so, it could produce enough enriched uranium for a nuclear bomb in six months to a year.
- Iran this month tested long-range missiles capable of striking Israel, U.S. forces in the region and America's allies in Europe. According to evidence presented by the IAEA, Iran also has conducted studies on how to modify its Shihab-3 ballistic missile to accommodate a nuclear warhead.
- The United States and the other permanent members of the U.N. Security Council plus Germany have offered Iran a generous package of economic and political incentives, and stated that they stand ready to discuss the proposal upon Iran's suspension of its nuclear work.
- Iran, which has a long history of exploiting negotiations with the West to buy time to advance its nuclear program, has refused to suspend its nuclear activities, offering instead to negotiate as it continues to enrich uranium.
- Former lead Iranian negotiator Hassan Rowhani proudly claimed in a March 2006 speech that while "negotiating with the Europeans in Tehran, we were installing equipment at the Isfahan site."

Iran's continued defiance must be met with increased pressure and isolation until Iran suspends its nuclear activity.

- U.N. Security Council Resolution 1803, passed in March, provided Iran 90 days in which to suspend its nuclear activity or face additional sanctions. The deadline has now passed. The Council must prepare for new sanctions if current diplomatic efforts to persuade Iran to suspend enrichment activity fail.
- The European Union should follow its action against Bank Melli by sanctioning other Iranian banks, working to reduce trade with Iran (apart from food and medicine) and ending government-backed insurance for trade with Iran.
- The United States should sanction foreign companies investing more than \$20 million in Iran's energy sector, which violates the Iran Sanctions Act of 1996. The State Department should quickly complete its announced investigation of Norway's StatoilHydro for its potential violation of the law.
- The United States should designate the Central Bank of Iran as a supporter of terrorism and weapons proliferation. America should also lead an international effort to increase pressure on Tehran by obtaining an agreed upon cessation of exports of refined petroleum products to Iran.
- Congress should pass comprehensive legislation ratcheting up the pressure on Iran by closing loopholes in U.S. sanctions against Iran and authorizing investors to divest from companies that operate in Iran's oil sector.