

# MEMMO

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## Iran Reaching Critical Milestone in Nuclear Quest

**Iran is reaching a critical milestone in its quest for a nuclear weapons capability. In the view of some experts, Iran has now enriched a sufficient quantity of uranium that it could produce a nuclear weapon if it decided to further enrich that material to weapons-grade level. As Iran continues to defy U.N. Security Council resolutions, the U.S. must lead the international community in an urgent effort of increased intensity to impose comprehensive economic, diplomatic and political sanctions to persuade Iran to turn away from this dangerous course.**

Iran continues to make rapid advancements in its uranium enrichment capabilities.

- A new International Atomic Energy Agency (IAEA) report says Iran has progressed with its production of low-enriched uranium (LEU) and has produced nearly 1,400 pounds, which some experts say is enough to create the needed weapons-grade uranium for a single nuclear device.
- The IAEA says Iran continues to stockpile LEU, increasing the amount on hand by nearly 50 percent in three months.
- The IAEA report says Iran is now operating nearly 5,000 centrifuges, machines that spin at supersonic speeds to enrich the uranium needed to build a nuclear bomb. Last year, Iran had less than 1,000 centrifuges installed.
- With these increased enrichment capabilities, Iran is reducing the time it requires to produce the highly enriched uranium needed for nuclear weapons.
- Iran is also testing more efficient and advanced centrifuge models and has informed the IAEA that it plans to begin installing additional centrifuges as early as the beginning of 2009.
- Construction of Iran's heavy water reactor at Arak continues, and the regime continues to block IAEA inspections. Experts say that Arak could produce enough plutonium to build two nuclear weapons each year.



**Iran continues to advance its ballistic missile and nuclear programs.**

Iran has repeatedly failed to address concerns about the military nature of its nuclear program.

- Iran continues to stonewall ongoing IAEA efforts to resolve outstanding questions about possible military nuclear efforts.

- Iran has failed to cooperate with repeated IAEA requests for design information or access to additional locations related to the manufacturing of centrifuges, research and development on uranium enrichment, uranium mining and milling.
- During the past two months, Iran has essentially cut off communications with the IAEA, with IAEA officials stating that “there is no communication whatsoever.”

Iran’s ability to conduct business abroad and to attract investment for its energy sector has been hampered by American and international actions.

- Sanctions have put a heavy burden on the Iranian economy, which is already undermined by corruption and mismanagement. The inflation rate is officially estimated at above 30 percent and more than one in three Iranians aged 19 to 29 is unemployed. Many more are underemployed.
- Scores of international banks—unwilling to risk heavy fines and the possible loss of access to U.S. financial markets—have ceased or limited transactions with Iran.
- With most large foreign banks refusing to do business with Iran, the regime has been forced to use smaller banks or go through middlemen to conduct trade, adding 10 to 20 percent to its costs.
- The threat of sanctions has dramatically curtailed new foreign investment in Iran’s energy sector—Iran’s refining sector alone needs more than \$25 billion in upgrades to fulfill its domestic needs.
- Sixty Iranian economists in a recently published open letter blasted President Mahmoud Ahmadinejad’s policies for having “deprived the country of trade and foreign investment opportunities” and for raising the costs of doing business amid the U.N. sanctions.
- Bazaar merchants—an influential political class in Iran—recently went on strike in cities throughout Iran to protest a new sales tax on the sale of some jewelry items, forcing the government to delay its imposition.
- Coupled now with the steep decline in oil prices, the sanctions in place will be felt even more strongly in the months ahead.

The United States—in conjunction with international efforts—has a wide array of additional sanctions it can use to prevent a nuclear-armed Iran.

- The United States recently prohibited clearing international financial transactions in dollars involving any Iranian financial institution, including Iran’s Central Bank.
- Iran, however, is able to conduct such transactions in other currencies, including the Euro, pound, and yen. The U.S. could immediately sanction any banks that continue these transactions, a move that would cripple Iran’s ability to operate in the international financial sector.
- The United States could immediately sanction any foreign entity continuing to do business with Iran’s Islamic Revolutionary Guard Corps, the Islamic Republic of Iran Shipping Lines, or any other entity subject to U.S. sanctions.
- The United States should implement current law and sanction foreign energy companies investing more than \$20 million in Iran’s energy sector.
- The United States could also lead an international diplomatic effort to prohibit the export to Iran of refined petroleum products, a move President-elect Barack Obama backed during the campaign. With Iran forced to import 40 percent of its gasoline, limiting the country’s access to such products would have an immediate economic effect.