

MEMMO

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More Pressure on Iran Critical to Halting Nuclear Progress

Iran continues to advance its uranium enrichment capabilities and has so far failed to respond seriously to the U.S. offer of negotiations. The latest report from the International Atomic Energy Agency (IAEA) says Iran has stockpiled nearly enough low-enriched uranium (LEU) to produce two nuclear weapons and has failed to answer outstanding questions about the weaponization of its nuclear program. If Iran continues to defy the international community and to reject the West's package of talks and incentives, more robust economic, diplomatic and political sanctions will be needed to persuade Iran to end its illicit activity.

The latest IAEA report says Iran continues to expand its uranium enrichment program in defiance of three U.N. Security Council resolutions.

- Iran has now produced more than 3,300 pounds of low-enriched uranium that—if further enriched to a weapons-grade level—is nearly enough fuel for two nuclear weapons.
- Iran now has more than 8,300 centrifuges—machines that spin at supersonic speeds to enrich uranium needed to build a nuclear bomb. This represents a 33 percent increase compared to the number it had in February 2009.
- By increasing the number of centrifuges, Iran can reduce the time it needs to produce enough highly enriched uranium for nuclear weapons. With slight modifications to its existing centrifuges configuration, Iran could produce weapons grade uranium in three to six months.
- Iran also has increased the pace of its installation of centrifuges by 25 percent since May, adding more than 1,100 centrifuges to its Natanz facility in June and July.
- In addition, Iran has failed to provide explanations for military dimensions associated with its nuclear program. The IAEA, in its report released Aug. 28, criticized Iran for focusing on the “style and form” of the questions and evidence presented while providing limited answers or simple denials in response to other Agency queries.



Iranian President Mahmoud Ahmadinejad has said Iran will not halt its nuclear program.

To date, Iran has not signaled that it is prepared to hold serious negotiations with the United States and Europe over its nuclear program.

- President Obama and Secretary of State Hillary Clinton both set September as a deadline for an Iranian response to the administration's outreach proposal. Obama has specifically said that Iran must not be able to use negotiations as an excuse to continue its nuclear program in perpetuity.
- While Iran has sent a general response to the West's offer, Iranian President Mahmoud Ahmadinejad said last week that talking about Iran's nuclear program is not an option, asserting

that Tehran “will never negotiate on the Iranian nation’s obvious rights” and that Iran would not halt its uranium enrichment efforts.

- If Iran reverses course and says it is willing to negotiate with the United States, officials need to continue keeping in mind Iran’s history of using such talks to continue its nuclear program while staving off additional sanctions. Any negotiations must lead to a quick suspension of Iran’s enrichment program—as required by the U.N. since 2006—or Iran must face additional sanctions.
- Iranian officials have been candid as to how they have exploited past negotiations with the West. 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.”

Sanctions have proved to be an effective way to bring additional political and economic pressure on the regime in Tehran.

- Recent signs of some Iranian cooperation with the IAEA underscore the important role sanctions play in pressuring the regime to alter its negative behavior. Additional sanctions on Tehran could be the key in driving Iran to the negotiating table and forcing it to suspend its uranium enrichment.
- Sanctions have put a heavy burden on the Iranian economy, which is already undermined by corruption and mismanagement. The inflation rate was recently as high as 25 percent and more than one in three Iranians aged 19 to 29 are unemployed.
- 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.
- Sanctions are having an increasingly negative impact on the development of Iran’s oil and gas infrastructure. Numerous energy companies have pulled out of Iran in recent years, specifically citing the possibility of international sanctions as “too risky.”

Increasing sanctions on Iran—including its ability to import gasoline—will play a crucial role in forcing the regime to abide by U.N. demands.

- The United States should lead an international diplomatic effort to prohibit the export to Iran of refined petroleum products, a move Obama backed during the campaign.
- With Iran forced to import as much as 40 percent of its gasoline, limiting access to such products would have a dramatic economic effect and weigh heavily on the regime’s domestic popularity.
- Iran’s gasoline consumption is growing by about six percent per year despite a rationing scheme in place for the past two years. This rise in consumption is outpacing the rate at which the regime is able to upgrade its antiquated oil and gas infrastructure, putting additional strain on the economy and making sanctions more likely to have an impact.
- Restricting Iran’s ability to import refined petroleum could have disastrous ramifications for the regime’s stability. In 2007, riots followed Tehran’s decision to ration gasoline supplies.
- The United States should implement current law by sanctioning foreign energy firms investing more than \$20 million in Iran’s energy sector. Sanctioning one of these companies would have a chilling effect on the others and would be a huge setback for Iran’s future economic outlook.
- The United States should immediately sanction the Central Bank of Iran as well as banks that continue to conduct transactions with Iranian banks already subject to U.S. sanctions. The United States should also immediately sanction any foreign entity continuing to do business with the Islamic Revolutionary Guard Corps, the Islamic Republic of Iran Shipping Lines or any other entity subject to U.S. sanctions.