

MEMMO

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Promises Cannot Fix a Bad Deal

The administration has tried to reassure those concerned by the dangerous consequences of the Joint Comprehensive Plan of Action (JCPOA) in two ways: by pledging increased support for Israel and our Gulf allies and by vowing that it will strictly enforce the deal. Neither approach will repair the deal's fatal flaw: it legitimizes Iran as a nuclear-threshold state in 15 years.

Increased Military Support for Israel Cannot Fix a Bad Deal

- A resurgent Iran, with a strengthened military that provides enhanced support to its allies, will severely compound Israel's security challenges. In the first year of the JCPOA, Iran could gain access to up to \$100 billion in foreign-held assets. By comparison, U.S. annual security assistance to Israel is \$3.1 billion.
- Near immediate sanctions relief will enable Iran to increase expenditures on its own military and support for its terrorist proxies, such as Hamas and Hezbollah. This will only add to the mounting security challenges facing Israel, including the Syrian civil war, the rise of the Islamic State and the presence of Islamist terror groups in the Sinai.
- Sanctions relief will also open up new possibilities for Iran to buy arms. Russia has indicated that it will no longer delay delivery of the S-300 air defense system to Iran. This system will offer further protection to Iran's nuclear infrastructure and insulate it from attack.
- On August 20, Palestinian Islamic Jihad terrorists fired rockets from Syria into Israel. That same day, Israel's foreign ministry reported that Iran is attempting to transfer to Hezbollah state-of-the-art weaponry, including the SA-22 air defense system and the Yakhont anti-ship cruise missile. These systems make self-defense significantly more difficult for Israel.
- To date, the administration has not laid out a detailed plan for increased military support to Israel in order to offset the negative consequences of the JCPOA. In a letter to Rep. Jerrold Nadler (D-NY), the administration emphasized the continuation of support under current U.S. policy. Nothing put forward would significantly offset the benefits the agreement provides Iran: access to up to \$100 billion in immediate funding and permission to develop an industrial-sized nuclear program over the next 15 years.

Increased Military Support for Gulf Allies Will Not Be Effective

- Various U.S. pledges to provide the Gulf states with more advanced weaponry and better integrated missile defense may help address frontal attacks from Iran, but these nations believe their security environment will deteriorate unless the United States and others push back against Iran in the region. The Washington Institute for Near East Policy's Michael Eisenstadt highlighted this in his July 9, 2015 testimony to the House Committee on Foreign Affairs Middle East subcommittee.
- Like Israel, the Gulf states will face increased threats by an invigorated Iranian military and its terrorist proxies. Iran is already active in Yemen, Iraq, Lebanon, and Syria. Enhanced Iranian resources will enable it to expand its destabilizing activities.
- Despite U.S. pledges, the Gulf states are not reassured. Instead, they are exhibiting increased interest in deeper defense cooperation and arms purchases from Russia, France and others. Defense News reported on August 22 that Saudi Arabia was possibly interested in purchasing Russian K-52K combat helicopters and French Mistral warships.

America Has Failed to Fully Enforce Existing Sanctions

- Under the JPOA, Iran was not allowed to exceed one million barrels per day (b/d) in crude oil exports. But exports averaged 1.27 million b/d in 2015's second quarter, up 100,000 b/d from the first quarter, which was in turn 100,000 b/d higher than the fourth quarter of 2014, according to Petroleum Intelligence Weekly. Iran faced no repercussions.
- When Iran sought to bypass sanctions by increasing exports of condensate, the administration failed to take action against entities involved in the transactions. Iran's crude oil and condensate exports started increasing in late 2013 and averaged 1.4 million b/d in 2014, almost 150,000 b/d above the 2013 level, according to U.S Energy Information Administration estimates.
- Investments by foreign firms in Iran's energy sector continue to go unsanctioned. In particular, no action has been taken against the Sinopec Group for activity in the Yadavaran oilfield, or against CNPC for activity in the North Azadegan oil field.
- Shipping firms that continue to use Iranian ports connected to the Iranian Revolutionary Guard Corps (IRGC) remain unsanctioned.
- International ports that continue to provide services to ships belonging to the Islamic Republic of Iran Shipping Lines (IRISL) remain unsanctioned.

Enforcement of the United Nations Arms Embargo on Iran Has Failed

- Despite U.N. Security Council prohibitions established in 2006 and 2007 on all Iranian arms exports, Iran has continued to provide arms to terrorist proxies Hamas and Hezbollah, the Assad regime in Syria, Houthi rebels in Yemen, and Shiite Iraqi militias. The United States has done very little to stop Iranian exports and punish those involved.
- For example, Hezbollah had just 12,000 rockets in 2006. Over the past nine years, Iran has supplied it with well over 100,000 rockets with many capable of precision targeting.

- Over the last three years, America has not implemented a single arms embargo-related sanction under the Iran, North Korea, Syria Non-Proliferation Act (INKSNA). This is despite significant evidence of illicit shipments of banned items to and from Iran. A recent U.S. Government Accountability Office report found that the administration has failed to even issue the reports required by law.

P5+1 Enforcement Will Be Limited

- The P5+1 are unlikely to address Iranian violations for fear that Iran will walk away from the deal. The JCPOA recognizes this likelihood: “Iran has stated that if sanctions are reinstated in whole or in part, Iran will treat that as grounds to cease performing its commitments under the JCPOA in whole or in part.”
- Once our European and Asian allies have re-invested in Iran, they will be extremely reluctant to risk their investments by supporting the re-imposition of sanctions for anything but the most egregious Iranian violations.
- The administration has already expressed reservations about reauthorizing the Iran Sanctions Act (ISA), which is set to expire in 2016. The ISA represents the core of the U.S. sanctions architecture and would be central to any snapback of sanctions.
- Enforcement via snapback sanctions will be insufficient to stop an Iranian breakout. Sanctions relief will provide an economic windfall that will allow Iran to weather any snapback sanctions. The longer the deal is in place, the more investment will be made in Iran’s economy—and the more resilient Iran will become to future sanctions.

Bottom Line: The Deal Fails to Foreclose All Iranian Paths to a Bomb

- Even if Iran never cheats and patiently follows the terms of this deal—which is an unlikely scenario given the regime’s history—Iran will emerge in 15 years with a legitimized, legally-acquired, industrial-sized nuclear program.
- After 15 years, Iran’s breakout time will have been reduced to days. At that point, if it decides to break out, the United States will then face a choice between acquiescing to or using force to stop Iran.