

**February 12, 2013**

New Iran Sanctions Must Be Enforced

On February 6, the United States announced a new round of sanctions designed to limit Tehran's access to foreign exchange. But Washington needs to step up enforcement of these and earlier sanctions if it hopes to persuade Iran to abandon its illicit nuclear pursuit. Particularly as the international community prepares for talks with Iran in late February, the United States must let Tehran know that the mullahs will face unremitting pressure until the Islamic regime changes course.



Iranian oil exports have rebounded from historic lows as China continues significant purchases.

Sanctions hurt Iran's economy, but Iran is progressing toward a nuclear weapons capability.

- Sanctions are having a broad impact on the Iranian economy, causing slower growth, higher unemployment and rampant inflation. The devaluation of Iran's currency, the rial, has continued in recent weeks, reaching a new record low value of 40,000 rial per dollar. Since the beginning of 2012, the rial has depreciated 55 percent.
- Meanwhile, Iran's nuclear program continues. Iran finished installing centrifuges in

December at Fordow, the previously secret uranium enrichment site, which could allow Tehran to quadruple production of 20-percent enriched uranium. It could also dramatically reduce the time Iran would need to produce weapons-grade material.

- In late January, Iranian officials informed the U.N. nuclear agency of a plan to use more modern centrifuges at the Natanz uranium enrichment plant that could double or triple Iran's speed in processing low-enriched uranium.

The impact of sanctions has been blunted by insufficient enforcement and Iran's exploitation of loopholes to bypass restrictions.

- The failure of the United States to rigorously enforce sanctions targeting the export of Iranian oil, as well as Tehran's exploitation of sanctions loopholes, has led to a resurgence of Iran's oil exports. After reaching historic lows last fall, Iranian oil exports have increased by half a million barrels per day.
- New sanctions effective February 6 require payments for Iranian oil to be made to local bank accounts in the nation buying the oil, and prohibit repatriation of those funds back to Iran. Previous sanctions already require countries to make significant reductions in their imports of Iranian oil.
- While China received an exemption to U.S. sanctions targeting the Central Bank of Iran, based on a determination that it had significantly reduced purchases of Iranian oil, actual Chinese imports decreased by a mere two percent in the six-month period prior to the exemption, International Oil Daily reported.
- Iran has evaded U.S. sanctions targeting financial transactions by using barter transactions to trade oil for gold and other commodities. Despite the new restriction prohibiting these activities, Turkey has continued to send billions of dollars in gold to Iran in order to pay for oil and natural gas imports.
- In January, the Treasury Department issued an advisory noting that sanctions had limited Iran's access to the international financial system and that Tehran was relying more heavily on third-country exchange houses and trading companies to move funds. Despite such sanctionable activity, no exchange houses or trading companies have been named or sanctioned by Treasury.

Enforcement of economic sanctions must be accelerated to prevent Tehran from achieving a nuclear weapons capability.

- The time needed to prevent Iran from achieving a nuclear weapons capability is quickly expiring. The United States and its international partners have authorized crippling sanctions on Iran and must now dramatically step up enforcement of

these measures to prevent such a scenario.

- Specifically, the United States must work with nations still buying Iranian oil to ensure they significantly reduce purchases. Nations that fail to continue to significantly reduce purchases must face consequences, including sanctioning financial institutions involved in such purchases.
- In addition, sanctions against foreign entities continuing to do business and provide support to the National Iranian Oil Company (NIOC) and Iran's Islamic Revolutionary Guard Corps (IRGC) must be enforced. Shipping companies that continue to call at ports controlled by the IRGC must be sanctioned.
- Financial institutions and individuals conducting financial transactions with or providing financial services to the Central Bank of Iran or other sanctioned banks must be identified and sanctioned.

Iran must take meaningful and verifiable steps to suspend its nuclear program before the easing of sanctions can be considered.

- The United States must impress upon Tehran that the only path out of increasing sanctions and isolation is through the suspension of its nuclear program and compliance with all relevant U.N. Security Council resolutions.
- Given Iran's history of using talks to forestall sanctions while advancing its nuclear ambitions, the regime needs to concretely show its sincerity to engage in negotiations by taking such steps as allowing international inspectors access to suspected nuclear weapons sites, suspending enrichment of higher grade uranium, shutting down Fordow, and sending stockpiles of enriched uranium outside the country.
- Hopes for progress in negotiations have been diminished by Supreme Leader Ali Khamenei, who rebuffed a U.S. offer for bilateral talks. "Some naive people like the idea of negotiating with America. However, negotiations will not solve the problem," he said.