

## Sanctions against Iran: A Promising Struggle

For most of 2007, concerns about Iran grew louder. This situation changed dramatically in December, with the release of the National Intelligence Estimate (NIE) on Iran's nuclear intentions and capabilities.<sup>1</sup> The NIE, which assessed that Iran had ceased its covert weapons program in 2003, was widely interpreted to indicate that Iran was no longer a threat. As a result, questions were raised whether U.S.-led efforts to ratchet up financial pressure against Tehran, through both UN sanctions and unilateral measures, remained either necessary or viable.

In reality, even if Iran no longer has an active covert nuclear weapons program, there would still be plenty of reason to worry. As Iran has publicly trumpeted, it continues to move forward on its uranium-enrichment activities. The fissile material generated through enrichment could rapidly be turned into a nuclear bomb should Iran choose to resume its weaponization program. Iran's enrichment activities also remain in defiance of UN Security Council resolutions.

Although the U.S.-led campaign to increase the financial pressure has not yet achieved its overarching goals, the NIE gives cause for optimism that Iran might actually modify its behavior on its entire nuclear program in the face of the right mix of carrots and sticks. As global financial institutions have scaled back their Iranian business, there are indications that a debate is starting to take place about the wisdom of the nuclear program within Iran. There are still a number of steps that the United States and its partners could take that would significantly raise the financial costs to Tehran of pursuing its nuclear ambitions.

---

Michael Jacobson is a senior fellow in the Stein Program on Counterterrorism and Intelligence at the Washington Institute for Near East Policy and a former senior adviser in the Office of Terrorism and Financial Intelligence at the U.S. Department of the Treasury. He may be reached at [mjacobson@washingtinsonstitute.org](mailto:mjacobson@washingtinsonstitute.org).

---

© 2008 by The Center for Strategic and International Studies and the Massachusetts Institute of Technology  
*The Washington Quarterly* • 31:3 pp. 69–88.

Success is far from guaranteed, but if the international community is truly determined to try to change Tehran's decisionmaking on its nuclear program through economic pressure, it must make far greater use of its available tools.

## **The Campaign Begins**

---

In early 2006, the United States initiated a campaign to step up financial pressure against Iran in an effort to dissuade Tehran from proceeding with the development of its nuclear program. The U.S. goal was to demonstrate to the Iranian regime that its "provocative and destabilizing policies will entail painful costs for Iran" and that "another, more constructive course is available to it."<sup>2</sup>

U.S. efforts faced a number of serious obstacles. The UN Security Council route was the most obvious path, but it presented great challenges. The United States was the only permanent member of the council in favor of sanctions; Russia and China were particularly opposed. In February 2006, Andrei Denisov, the Russian ambassador to the United Nations, warned that sanctions would likely backfire, noting that "Iran is one of the major [global] suppliers of oil and gas, so it will be a very strong blow on the international energy market."<sup>3</sup> With trade between the Security Council mem-

**The 1990s sanctions against Iraq are cited as an example of how they can fail or backfire.**

bers and Iran at \$18 billion in 2005, it is easy to understand his reluctance.<sup>4</sup>

Persuading other countries to join the United States outside of the UN framework also faced long odds. Iran's key trading partners were resistant, with consensus in the European Union a particularly difficult challenge. The EU was Iran's largest trading partner, with more than 40 percent of Iran's exports and 25 percent of its imports coming to and from the Europeans.<sup>5</sup> In fact, a number of the European governments, including France, Germany, and Italy, provided their companies with extensive export credit guarantees to encourage and facilitate trade with Iran.

More generally, broad-based trade sanctions regimes are not well regarded. The sanctions against Iraq during the 1990s are often cited as a prime example of how they can fail or even backfire, as Iraqi children starved while Saddam Hussein and his regime were unaffected.<sup>6</sup> These types of broad sanctions regimes are also perceived by many as political statements based primarily on distaste for certain countries' policies.<sup>7</sup> Some also viewed U.S.-led sanctions against Iran as the first step toward war. One European diplomat noted that "people fear that once you are on the sanctions route there is no getting off [of] it. They remember Iraq and think it's *déjà vu*."<sup>8</sup>

Finally, the United States seemed to have little ability to ramp up sanctions on its own. It has had comprehensive trade sanctions in place against Iran since 1995, largely prohibiting U.S. companies and persons from doing business with Iran.<sup>9</sup> Tightening up U.S. unilateral sanctions was perceived likely to have almost no economic impact on Iran given the small amount of trade between the two countries.<sup>10</sup>

### TARGETED FINANCIAL MEASURES

To ratchet up the financial pressure on Tehran effectively, the United States had to use the UN Security Council where possible but also had to find a way to work outside of it. To succeed at the latter, the United States had to persuade not only foreign governments but also non-American companies to join the effort. Bringing the private sector on board was a particularly daunting challenge given the limits of U.S. jurisdiction over foreign entities.

The strategy that the United States developed put the Department of the Treasury in the lead in building pressure outside of the UN, with the Department of State responsible for efforts at the Security Council. The Treasury Department's strategy focused specifically on Iran's illicit conduct—its weapons of mass destruction (WMD)–related activity, support for terrorism, and deceptive financial practices—and its dangerous ramifications for the integrity of the global financial system. The United States tried to make clear that the issue was “not conduct that the United States doesn't like politically, but conduct that's contrary to international law or international standards and norms.”<sup>11</sup>

The Treasury effort revolved around its use of targeted financial measures, or “smart sanctions.” As opposed to traditional, broad-based trade sanctions, smart sanctions focus on those entities and individuals engaged in dangerous or illicit activity instead of singling out an entire country. The focus of the Treasury Department's actions to date have been those involved in Iran's nuclear and ballistic missile programs, with more than 20 key Iranian entities and individuals listed under Executive Order 13382, issued in June 2005.<sup>12</sup> Designated entities included Iran's state-owned Bank Sepah, which was black-listed for providing “extensive” financial services to Iranian entities involved in WMD-related activities. Bank Sepah also engaged in “a range of deceptive financial practices in an effort to avoid detection.”<sup>13</sup> In October 2007, Iran's Bank Saderat was cut off from all access to the U.S. financial system for facilitating support for a variety of terrorist groups.<sup>14</sup>

**T**argeted financial measures have a number of advantages over traditional sanctions.

To maximize the impact of these unilateral actions, the Treasury Department engaged in extensive outreach to other governments and the international private sector. Senior officials met with government counterparts from “tens of countries” and with more than 40 non-U.S. banks.<sup>15</sup> In these sessions, the department outlined the range of Iran’s deceptive financial activity, illustrated by the actions of those blacklisted Iranian entities.<sup>16</sup> It argued that Iran’s business practices, including its use of front companies, make it difficult to “know your customers.” Furthermore, Secretary of the Treasury Henry Paulson cautioned that “it is increasingly likely that if you are doing business with Iran, you are somehow doing business with the Iranian Revolution Guards Corps” (IRGC), a disturbing prospect given the important role that this paramilitary organization plays in Iran’s terrorism and proliferation activities.<sup>17</sup> U.S. officials have also engaged with senior levels of a number of energy companies doing business or considering doing business in the Iranian oil and gas sector, emphasizing how they could undermine international efforts to resolve the nuclear dispute and how they could run afoul of the potential legal issues at stake.<sup>18</sup>

### **THE NORTH KOREAN PRECEDENT**

There was cause for optimism that targeted financial measures against Iran might work at least in part because of the Treasury Department’s success in North Korea. In September 2005, the department announced a proposed rule against Macau-based Banco Delta Asia under Section 311 of the U.S. PATRIOT Act. The bank was cited by the United States as a “primary money laundering concern” for facilitating North Korea’s illicit activities for more than 20 years.<sup>19</sup>

The issuance of the proposed rule against Banco Delta Asia had an immediate impact, although at that point it still did not have any legal effect. Some two dozen financial institutions reportedly reduced or cut their ties to North Korea.<sup>20</sup> Although the Macau government was not legally required to take action, it placed the bank into receivership and froze approximately \$24 million in North Korean funds. Experts speculated that Macau was concerned that the U.S. government might target their entire jurisdiction next.

Despite the relatively small amount of money at stake, the North Koreans reacted strongly. Pyongyang refused to return to the six-party talks until the issue was resolved. Pyongyang eventually resumed the talks once the money was returned, clearing the way for a preliminary agreement to dismantle their nuclear program. Treasury Department officials acknowledged that the impact of the Banco Delta Asia action was “more powerful than many thought possible.”<sup>21</sup> As David Aufhauser, global general counsel for UBS Investment

Bank, explained, “[Y]ou have this exercise of Section 311 strangling literally North Korea’s access to the financial marketplace.”<sup>22</sup> Some states, including China, criticized the United States for taking this action, arguing that it only impeded the difficult negotiations with the North Koreans. For the United States, however, a clear lesson emerged that these financial tools could have a considerable impact even in situations in which it appeared that the United States had little leverage.

U.S. officials hoped that the Banco Delta Asia case would send a strong message to Tehran. One senior Bush administration official commented, “[Y]ou can be sure that other countries like Iran will be drawing lessons from North Korea. What Banco Delta Asia demonstrates is that once you find yourself in this tar pit, it’s almost impossible to extract yourself.”<sup>23</sup> John Bolton, then-U.S. ambassador to the UN, was more blunt, warning the Iranians that if they pursued nuclear weapons, “they will face the same kind of isolation and restrictions” as the North Koreans.<sup>24</sup>

**Cause for optimism against Iran exists partly because of success in North Korea.**

### **FINANCIAL LEVERAGE**

The Treasury Department’s role at the center of a major national security initiative is part of a broader shift in the department’s post-September 11 mission. In the past, the department, like other finance ministries around the world, focused largely on economic and financial issues and was often reluctant to get involved in these types of matters.

Although there are several reasons for the Treasury Department’s relative success, the most important factor relates to the United States’ status as the world’s leading financial center. Paulson stated that the Treasury Department “can effectively use these tools largely because the United States is the key hub of the global financial system; we are the banker to the world.”<sup>25</sup> Losing access to the U.S. market is not a worthwhile risk for most banks for the sake of maintaining business ties to designated terrorists or WMD proliferators.<sup>26</sup>

As such, banks from around the world refer to the Treasury Department designation list, which exists not only for Iran-related targets, but also for terrorists, drug traffickers, and other rogue actors, and implement U.S. unilateral sanctions voluntarily. As a result, according to the department, U.S. unilateral sanctions are “anything but.”<sup>27</sup> Financial institutions are particularly eager to avoid being the “next ABN AMRO,” the Dutch bank fined \$80 million by the United States in 2005 for having an inadequate program in place to ensure

compliance with the U.S. sanctions against Iran and Libya. The *Financial Times* noted that the fine sent “seismic waves through the international banking system” and that “reverberations are still being felt today.”<sup>28</sup>

The specific warnings issued by Treasury Department leadership have greatly amplified the impact of U.S. unilateral measures. In a March 2007 speech, Stuart Levey, undersecretary of the treasury for terrorism and financial intelligence, stated that “those who are tempted to deal with targeted high-risk actors are put on notice: if they continue this relationship, they may be next.”<sup>29</sup>

**The United States was well advised to avoid relying solely on the UN track.**

Although the speech itself received little public attention, it was duly noted by financial institutions throughout the world.<sup>30</sup> Recent reports that two British banks, Lloyds TSB and Barclays, are under investigation by the Department of Justice and the Manhattan district attorney’s office for possible violations of the Iran sanctions regime should only heighten the financial sector’s concern.<sup>31</sup>

The fact that the oil market has traditionally been priced in dollars gives the United States additional leverage against Iran. To complete oil-related transactions, foreign banks convert assets into dollars, generally through the U.S. system, thus exposing their institution to potential U.S. sanctions. Stuart Eizenstat, former deputy secretary of the treasury, explained that this is why “[s]anctions involving banks and financial institutions are the most significant” aspect of the U.S. government’s overall Iran strategy.<sup>32</sup>

The financial institutions’ decisions have also been driven by reputational risk considerations. Maintaining stellar reputations is one of a bank’s top priorities. Avoiding the type of specific risk outlined by the Treasury Department makes sense from a business perspective.<sup>33</sup> Furthermore, as Paulson observed, once some private-sector entities have taken action, it becomes “a greater reputational risk for others not to follow, and so they often do.”<sup>34</sup>

Targeted financial measures themselves also have a number of advantages over traditional, broad-based trade sanctions. First, targeted financial measures are designed to be regime hostile and people friendly, causing economic harm to the entities designated but not to innocent civilians.<sup>35</sup> Second, the Treasury Department has employed these tools in a graduated manner, giving Iran numerous opportunities to alter their behavior before further measures are imposed. As a result, the department is able to demonstrate that the purpose of such measures is not simply to punish the Iranian regime, but also to encourage a change in behavior. This has facilitated U.S. efforts to build international support for these actions, which is key to their overall success.<sup>36</sup>

## THE INTERNATIONAL ORGANIZATIONS TRACK

The Treasury Department campaign has been complemented by some success at the UN, where the Security Council has passed three Iran-related resolutions. The first round of sanctions was adopted in December 2006, when the council passed Resolution 1737, blacklisting 10 Iranian entities and 12 individuals with ties to Iran's nuclear or ballistic missile programs.<sup>37</sup> All countries were obligated to freeze the assets of these designated entities. The resolution also prohibited countries from providing any material, equipment, or technology to Iran that could be used for their nuclear program. Furthermore, the council called on countries to report travel into their territory by Iranian officials involved in these programs.

Resolution 1747, passed in March 2007, bans a number of additional entities, including companies and officials from the IRGC. Perhaps most significantly, the council designated Bank Sepah, which had previously been blacklisted unilaterally by the Treasury Department. The resolution also put in place a one-way arms embargo, prohibiting Iran from exporting arms but not from importing them.<sup>38</sup>

The Security Council passed the third round of sanctions on March 3, 2008, adopting Resolution 1803. Resolution 1803 builds on Resolutions 1737 and 1747 by expanding the blacklist of entities and individuals tied to Iran's nuclear program, banning the sale of dual-use components to Iran, calling on member states to inspect cargo in their jurisdiction bound to or from Iran, and urging countries to exercise vigilance in providing incentives and guarantees for trade with Iran. Perhaps most importantly, the resolution calls for all states to exercise vigilance over financial institutions in their jurisdiction regarding their financial dealings with Iranian banks, particularly with Bank Saderat and Bank Melli.<sup>39</sup>

Achieving consensus on the third resolution was a slow, difficult process, with negotiations lasting more than eight months. This helps illustrate why the United States was well advised to avoid relying solely on the UN track. In June 2007, for example, the International Atomic Energy Agency (IAEA) and Iran agreed to a timeline under which Tehran would provide answers to questions about its historical activity on its nuclear program. In response, Russia and China pushed the Security Council to wait until November 2007 to consider imposing new sanctions, when the IAEA would be releasing its report summarizing its investigation into these issues.<sup>40</sup> The release of the NIE in December 2007 then complicated efforts at the Security Council even more, bolstering Russian and Chinese efforts to push back against strong sanctions and further delaying agreement on a resolution.<sup>41</sup>

A lesser-known international organization, the Financial Action Task Force (FATF), has also played a key role in ratcheting up financial pressure

against Tehran. The FATF, launched by the Group of Seven (G-7) in 1989, is a 34-member body based in Paris that seeks to set global standards on combating money laundering and terrorism financing. It has put out two warnings on Iran, the first in October 2007 and the second in late February 2008, instructing its members to urge their financial institutions to use “enhanced due diligence” when dealing with Iran. In the latest warning, the FATF president also urged Iran to address the “shortcomings” in its anti-money laundering and terrorist financing regimes immediately.<sup>42</sup>

## **Overall Results of Financial Pressure**

---

The U.S.-led effort has had considerable success in ramping up financial pressure on Iran. Major global financial institutions, including three major Japanese banks, Switzerland’s Credit Suisse, Germany’s Deutsche Bank and Commerzbank, and the United Kingdom’s HSBC, have either terminated or dramatically reduced business with Iran.<sup>43</sup> Perhaps even more surprisingly, in recent months it appears that banks in China and the United Arab Emirates (UAE) are beginning to exercise greater caution in their business dealings with Iran.<sup>44</sup> In fact, Levey stated, “All the banks we’ve talked to are reducing significantly their exposure to Iranian business. It’s been a universal response.”<sup>45</sup> Overall, the number of foreign banks operating in Iran has sharply declined since 2006, dropping from 46 to 20.<sup>46</sup>

Statements by the banks themselves confirm that the Treasury Department message is getting through. A Credit Suisse spokesperson commented, for example, that their decision was made “in the light of the increase in political, financial, and reputational risk.”<sup>47</sup> As European financial institutions scale down their business in Iran, overall trade between EU nations and the Iranians has fallen as well, dropping fairly dramatically since early 2006. In 2005, the 27 EU member states exported approximately \$18 billion worth of goods to Iran. This figure fell to about \$13 billion in 2006 and is on pace for an even larger decline in 2007.<sup>48</sup>

These U.S.-led efforts have certainly had an impact on Iran. As a result of them and President Mahmoud Ahmadinejad’s damaging populist domestic economic policies, inflation has risen to 25 percent. Iranian businesses are now carrying cash to pay for transactions due to difficulty opening foreign currency accounts with non-Iranian banks.<sup>49</sup> Iranian importers are now having to pay in advance for commodities and are no longer able to receive revolving lines of credit, and their costs have increased 20–30 percent.<sup>50</sup> The Iranian banking community has been hit particularly hard by the sanctions and U.S. pressure. Bank Sepah is “on the brink of collapse,” and other Iranian banks are struggling as well.<sup>51</sup> Bank Saderat has seen its corresponding banking relation-

ships, which are essential for a bank to operate effectively internationally, fall from 29 in August 2006 to eight by early 2008.<sup>52</sup> The impact on Bank Saderat is especially revealing in demonstrating the impact of U.S. pressure, because unlike Bank Sepah, Bank Saderat has only been designated unilaterally by the United States and not at all by the UN.

Sanctions have also scared off many foreign investors. In December 2006, then-oil minister Kazem Vaziri Hamaneh confirmed that the industry was having difficulty financing its development projects because “overseas banks and financiers have decreased their cooperation.”<sup>53</sup> As a result, Iran’s oil production is falling and likely to decrease further without significant foreign investment.<sup>54</sup> This trend could be potentially devastating for Iran, as some experts believe that, without major foreign investment in Iran’s aging oil fields, the country’s oil exports could disappear by 2015.<sup>55</sup>

Although informal U.S. sanctions have had the greatest impact, UN sanctions have had an effect as well, although primarily psychological. The *Economist* commented that although the first two resolutions “do not amount to much ... their psychological impact on would-be traders and investors is another matter. And combined with the financial squeeze America is applying separately, the result is genuinely painful.”<sup>56</sup>

The third resolution may be particularly important for its symbolic effect. The international momentum to pressure Iran seemed to disappear with the December release of the NIE. It was unclear whether additional rounds of UN sanctions were even possible. The resolution’s near-unanimous passage, with 14 of the 15 members voting for passage and only Indonesia abstaining, sent a strong message to Tehran. Countries voting for it included China, Russia, and South Africa, all countries with long-standing economic ties to Iran. Regardless, it is certainly preferable to the alternative: an obviously paralyzed Security Council. It also indicates that this path is still alive and could yield additional results down the line, a possibility about which Tehran should be concerned.

Iran’s recent behavior also indicates that they are increasingly worried about the FATF’s actions. Since the group’s October 2007 statement, Iran has enacted legislation to combat money laundering, and Iranian government officials claim that a “supreme council” will be established to address these issues. Even though Iran is not an FATF member, it sent a delegation to lobby the FATF on its recent improvements. The FATF dismissed the Iranian claims, however, calling the legislation “skimpy” with “big deficiencies.”<sup>57</sup>

**The third UN resolution may be particularly important for its symbolic effect.**

In evaluating the significance of the FATF action, it is important to look at its composition. China and Russia are members, as are a number of Iran's other key trading partners, including Germany, the Gulf Cooperation Council, Italy, and Japan. As the FATF is an organization that works by consensus, the fact that this recent statement, like the one in October 2007, was issued indicates that none of the 34 members opposed. This is likely the reason for Iran's concern.

The U.S. efforts have not achieved positive results across the board. As trade between the Europeans and Iran has been dropping steadily, other countries are stepping in. For example, China's trade with Iran is growing rapidly, with exports to Iran increasing 70 percent from 2006 to 2007.<sup>58</sup> The UAE's commercial ties to Iran also continue to grow. As the business environment in Iran deteriorates, many Iranian businesses have relocated to Dubai.<sup>59</sup> By doing so, Iranian companies have improved their ties to European companies reluctant to do business in Iran.<sup>60</sup> In 2006, trade between UAE and Iran rose to \$12 billion.<sup>61</sup> Sheikha Lubna al Qasimi, the UAE's minister of economy, explained that there was a limit to what action his government would take to restrict business ties to Iran: "At the end of the day, Iran is still a neighbor."<sup>62</sup>

Recent reports also indicate that as larger, more established banks have scaled down their business with Iran, smaller, second-tier entities have stepped in. As major European financial institutions cut off ties to Iran, for example, banks in Pakistan and elsewhere are taking on this business. The difficulty for the United States is that these types of banks are less likely to respond to the general warnings issued by the UN or FATF and pay little attention to veiled U.S. threats. They tend to be less concerned about reputational risk than the major players, and the possibility of being cut off from the U.S. market is largely irrelevant from their perspective, as they do not do business in the United States.

A similar trend may be taking place with other types of companies. Although many major European companies may be reluctant to sign new contracts with Iran in this current environment, Norsk Hydro ASA, a Norwegian firm, won a \$100 million deal to develop an oil field in Iran in September 2006. A company spokesperson noted that although the United States is "not happy that we're there," the deal was highly profitable.<sup>63</sup>

## **IMPACT ON IRANIAN NUCLEAR BEHAVIOR**

What is most problematic is that the sanctions have yet to persuade Iran to cease activity on its nuclear program. Recent reports indicate that Iran has developed its own advanced centrifuge, which could accelerate the pace of enrichment activities.<sup>64</sup> Several months earlier, Ahmadinejad bragged that Iran had 3,000 centrifuges running.<sup>65</sup> Although the accuracy of the statement was questionable at the time, it illustrates Iran's eagerness to proceed with its nuclear ef-

forts.<sup>66</sup> Iranian leaders have also publicly claimed that sanctions and other forms of international pressure will have no effect on their nuclear activities. In reference to the potential third round of UN sanctions, Ahmadinejad charged that the UN would lose credibility if it took action against Tehran after the NIE.<sup>67</sup>

Although Iran has not yet backed down, the U.S.-led campaign has played a role in causing domestic political problems for Iranian hard-liners. In September 2007, former president Akbar Hashemi Rafsanjani, a moderate opposed to the regime's confrontational approach, was elected as the speaker of the Experts Assembly.<sup>68</sup> Several days earlier, Supreme Leader Ali Khamenei dismissed Yahya Rahim Safavi, the IRGC's commander since 1997, who was blacklisted by the UN in March 2007. Safavi's replacement, Muhammad Ali Jafari, confirmed that Safavi was removed primarily "due to the United States' threats."<sup>69</sup> Finally, Motjtaba Hashemi Samarah, one of Ahmadinejad's close allies, was removed from his position as the deputy interior minister.<sup>70</sup>

**Financial pressure's impact has been limited by inconsistent implementation.**

Some observers believe that the political and economic problems are starting to have an effect on the Iranian regime's thinking about the nuclear issue. Eizenstat noted, "I think it's one of the reasons there's at least the beginning of a debate in Iran about whether it's wise to go forward with the nuclear program."<sup>71</sup> Iran expert Kenneth Katzman argued that the political developments indicate that the U.S. strategy is working, adding, "[W]e do see signs of a strategic reassessment in Iran."<sup>72</sup>

In fact, the recently released NIE gives cause for optimism that Iran might actually modify its behavior on its entire nuclear program in the face of the right mix of carrots and sticks. The NIE noted that Iran's nuclear-related decisions are guided by a "cost-benefit approach rather than a rush to a weapon irrespective of the political, economic and military costs."<sup>73</sup> According to the NIE, Iran's decision to halt its covert nuclear weapons program in 2003 was in response to "increasing international scrutiny," suggesting that "Iran may be more vulnerable to influence on the issue that we judged previously."

### **LIMITATIONS OF THE SANCTIONS REGIME**

Although the sanctions and financial pressure have clearly had an effect on Iran's economy, the impact has been limited by inconsistent implementation. For example, the EU has gone further than the UN required in terms of the punitive measures it has put in place against Iran, but its member states' implementation of the sanctions regime has been uneven for a number of

reasons. First, the EU's ability to monitor sanctions compliance is limited, as it only has oversight jurisdiction over its member states and not individual European companies. The EU also does not have the resources necessary to conduct audits or to bring enforcement actions. As a result, the EU will generally only take action in this area when an obvious violation by a member state is brought to their attention.<sup>74</sup>

Resource constraints and a lack of political will are also affecting individual European countries' efforts to crack down on illicit trade with Iran. For example, Italy has less than 15 people working in its export control office, and only eight of these are investigators.<sup>75</sup> Given the country's status as one of Iran's most important European trading partners, this deficiency is glaring and one that could be easily remedied.

Although Germany devotes far more resources to investigating these types of violations, one of its public prosecutors recently stated that they have only uncovered "the tip of the iceberg" of the black market activity involving Iran's nuclear program.<sup>76</sup> The Germans have also been critical of how others have implemented sanctions. According to press

reports, Foreign Minister Frank-Walter Steinmeier of Germany charged that French companies had not scaled down their Iranian business and that a number of U.S. companies illegally continued to do business with Iran as well.<sup>77</sup>

Whether or not Steinmeier's contention regarding U.S. business is accurate, the U.S. ability to crack down on sanctions violators was limited until recently by the severity of the penalties it could impose. Congress recently changed the law in this area, dramatically increasing the possible fines for violations of U.S. sanctions regulations. If the United States steps up its enforcement efforts in response, it would be riskier for companies to treat the prospect of fines as the cost of doing business.

One reason for the problems with implementation is that arrangements to ensure compliance are extremely limited. Under the UN resolutions, countries are called to report to the UN on the steps that they have taken in response to the sanctions. The merits of such an approach can be questioned, as countries are unlikely to be candid about their own failings.

Perhaps even more importantly, the UN has not yet put a team in place to monitor compliance with its sanctions, a tool it has used effectively for many of its other sanctions regimes, including those targeting al Qaeda, Liberia, Somalia, Sudan, and the Taliban.<sup>78</sup> These independent teams, comprised of consultants hired for their expertise in the particular area at issue, operate with considerable autonomy. They are generally based in the field, away from the

**Momentum in Congress is also building for even tougher sanctions against Iran.**

UN bureaucracy in New York, and are only in existence for a limited period of time with a clearly and narrowly defined mandate.

## **The Way Forward**

---

The U.S.-led approach to date has been fairly effective in raising Tehran's costs for its nuclear-related activities. Yet, if the international community is truly determined to try to change Tehran's decisionmaking on its nuclear program through economic pressure, far more must be done on this front. The United States and its allies could dramatically increase the pressure on Iran by making greater use of the available tools and more effectively utilizing a combination of multilateral, bilateral, and unilateral actions.

Despite the difficulties, the United States should continue to pursue the UN track aggressively. Although this path is likely to move slowly, it can still have a significant symbolic and psychological impact. In the end, Iran is unlikely to change its behavior with regard to its nuclear program unless it feels isolated and that the international community is united against it. Sanctions by the UN Security Council send a strong message that this is indeed the case.

Although additional punitive measures are important and necessary, better enforcement of various sanctions regimes already in place could have an equally significant impact. Devoting additional resources and attention to this issue would be an important step forward. One particularly significant action would be for the UN to establish a team to monitor compliance with its sanctions against Iran, ideally one based either in Dubai or Beijing.<sup>79</sup> The EU and its member states could do far more in this area as well. Although the EU has taken an aggressive approach in interpreting the UN resolutions against Iran, resource constraints and a lack of political will are impacting individual European countries' efforts to crack down on illicit trade with Iran. As mentioned previously, the United States could also do a better job of aggressively utilizing the new powers granted by recent congressional legislation.

The United States could collaborate with its European partners to step up pressure parallel to the UN process. The EU has already taken some strong steps against Iran in conjunction with but separate from the sanctions ordered by the UN Security Council and could be pushed to go further. Whereas France and the United Kingdom had been urging the EU to act for months, Germany and others had been advocating restraint and awaiting a possible third round of UN sanctions. Now that the UN has spoken, the EU should be pressed to take aggressive follow-up action. Given the extensive economic ties between various EU member states and Iran, bold action by the EU could have a significant effect. An especially powerful step would be for the Europeans to ban Iran-related export credits, a form of government insurance that

has been a key underpinning of European-Iranian business ties. Given that the resolution specifically calls on countries to exercise vigilance with this type of assistance, the Europeans would have ample reason to do so.

The United States could work closely with individual EU member states to raise the financial pressure against Tehran, particularly if the EU as a whole proves unwilling or unable to take strong action. The British government could play a critical role because of London's status as one of the world's two leading financial capitals. Along with New York, London offers unmatched access to capital, skilled personnel, state-of-the-art technology, and a reasonable regulatory environment. Coordinated visits by top U.S. and British officials to major financial institutions could be a particularly effective approach.

**An approach that incorporates financial pressure remains the most likely path to success.**

Some companies might be willing to ignore the U.S. government's warnings about Iran, but being cut off both from New York and London financial markets might be a risk that few institutions are willing to take. Regional financial centers outside Europe such as Hong Kong do not have the depth to replace London and New York, and few companies would relocate just for the sake of their Iranian business.<sup>80</sup>

The United States should continue to encourage international organizations, such as the FATF, to play an important role in highlighting Iran's deceptive financial practices and the deficiencies in its anti-money laundering regime.<sup>81</sup> It is essential to have a multilateral body or international organization reinforcing the U.S. message. The FATF and the United States should also be closely tracking whether governments are following through on the organization's recent warnings and providing appropriate cautions to the financial institutions and companies in their jurisdictions. Although the U.S. warnings carry enormous weight, many companies and financial institutions do not do business in the United States and are therefore less concerned about invoking U.S. wrath. These banks and companies are only likely to reduce ties to Iran if their own governments caution them; they will be far less inclined to ignore the proclamations of their supervisory regulatory agencies.

The United States should press its allies to bolster the national security capabilities of their finance ministries. Although the Group of Twenty finance ministers have all agreed in principle to take on this mission, in practice few countries have built up the necessary capabilities. For example, no finance ministry other than the U.S. Treasury Department has an in-house intelligence office.<sup>82</sup> As a result, the ministries generally do not receive all of their government's relevant intelligence on Iran and therefore are not in a position to as-

sess the scope of Iran's illicit financial activities. Frequently, only the finance ministries have the necessary expertise to analyze the financial intelligence and advise the policymakers on what action to take.<sup>83</sup> The Treasury Department's intelligence arm, the Office of Intelligence and Analysis, has played a significant role in enhancing the department's national security capabilities since its creation in 2004, demonstrating that transformation can be rapid.<sup>84</sup>

The United States should push other governments to obtain domestic legal authorities to target and freeze the assets of WMD proliferators. Many foreign governments do not have these tools in spite of UN obligations. The Bank Sepah case is a good example of how these deficiencies can affect efforts to pressure Iran. The original U.S. plan was not to target the bank unilaterally because U.S. officials hoped that another country might take the lead. This did not occur because U.S. allies were constrained in part by their lack of domestic legal authorities.<sup>85</sup> The United States subsequently designated the bank in January 2007, with the UN following several months later.

The United States should continue its unilateral measures to target key Iranian actors involved in illicit activity and couple this with outreach to the private sector. To maximize the effectiveness, it should closely monitor which countries and private-sector entities are still doing business as usual with Iran and focus its efforts there. Where possible, the United States should try to avoid acting alone, both in its targeted designations and its outreach. The United States may have to be creative in attracting partners. Given the wide range of nefarious activity in which the Iranian regime is involved, from terrorist support to developing WMD programs to playing a destabilizing influence in Afghanistan, Iraq, and Lebanon, the United States will have to gauge on which basis it can best build international support.

Momentum in Congress is building for even tougher sanctions against Iran. Congress is pressing the administration to sanction foreign companies for investing in Iran's energy sector.<sup>86</sup> The administration is concerned that such measures could have a backlash, undermining efforts to build a broad international coalition against Iran.<sup>87</sup> Although the administration's reluctance to move forward is understandable, Washington can use potential congressional action as leverage in discussions with key European and Asian allies whose companies would most likely be affected by new sanctions. The administration should argue that the best way to forestall congressional action is to demonstrate that the current strategy is achieving significant results.

### **Stepping Up the Pressure**

---

Finding ways to end Iran's nuclear drive is clearly a top priority for the United States and the international community. Success is far from guaranteed, but

an approach that incorporates aggressive financial pressure remains the most likely path to success. These financial tools are, as Levey observes, the “rare tools short of military force that we can use to exert leverage when traditional diplomatic options are exhausted. They allow the United States government to bring concentrated pressure to bear on an otherwise unresponsive threat.”<sup>88</sup> As the recent NIE suggests, Iran is susceptible to pressure on this front because it appears to make decisions on its nuclear program on a cost-benefit basis.

For this approach to work against Iran and to change the regime’s decision-making calculus, however, the pressure must be considerably stepped up. If the international community is truly determined to try and change Tehran’s strategy on its nuclear program through economic pressure, it must make far greater use of all of its available tools. The message must be clear that doing business with Iran is risky so long as Tehran persists in ignoring the UN Security Council orders about its nuclear program and engaging in deceptive financial practices to cover its tracks. Only if the Islamic republic sees that economic pressure will increase steadily, so long as the nuclear impasse continues, will the hand of those in Tehran arguing for accommodation be strengthened.

## Notes

---

1. Office of the Director of National Intelligence (DNI), “National Intelligence Estimate: Iran: Nuclear Intentions and Capabilities,” November 2007, [http://www.dni.gov/press\\_releases/20071203\\_release.pdf](http://www.dni.gov/press_releases/20071203_release.pdf) (press release).
2. R. Nicholas Burns, “Minimizing Potential Threats From Iran: Assessing the Effectiveness of Current U.S. Sanctions on Iran” (testimony, Senate Committee on Banking, Housing, and Urban Affairs, March 21, 2007), <http://www.state.gov/p/us/rm/2007/82033.htm>.
3. “Iran Sanctions Would Backfire: Russia,” ABC News Online, February 2, 2006, <http://www.abc.net.au/news/newsitems/200602/s1560438.htm>.
4. Neil King Jr. and Marc Champion, “Nations’ Rich Trade With Iran Is Hurdle for Sanctions Plan,” *Wall Street Journal*, September 20, 2006, p. A1.
5. Timothy Garton Ash, “Faced With Iranian Blackmail, Europe Must Show Real Solidarity,” *Guardian*, March 29, 2007, <http://www.guardian.co.uk/commentisfree/2007/mar/29/comment.iran>.
6. Francis Harris, “UN Official Accused Over Saddam Deal,” *Telegraph*, May 2, 2005, <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/02/04/woil04.xml&sSheet=/news/2005/02/04/ixworld.html>; Mark Gregory, “Companies in ‘Oil for Food Scam,’” BBC News, November 19, 2004, [http://news.bbc.co.uk/2/hi/middle\\_east/4025057.stm](http://news.bbc.co.uk/2/hi/middle_east/4025057.stm); “Iraqi Children Starving Under Sanctions,” BBC News, November 27, 1997, <http://news.bbc.co.uk/2/hi/35065.stm>.
7. “Remarks by Treasury Secretary Paulson on Targeted Financial Measures to Protect Our National Security,” HP-457, June 14, 2007, <http://www.ustreas.gov/press/releases/hp457.htm> (hereinafter Paulson remarks).

8. King and Champion, "Nations' Trade With Iran Is Hurdle for Sanctions Plan."
9. "Executive Orders 12957—Prohibiting Certain Transactions With Respect to the Development of Iranian Petroleum Resources," *Federal Register* 60, no. 52 (March 17, 1995): 14613, <http://www.ustreas.gov/offices/enforcement/ofac/legal/eo/12957.pdf>.
10. King and Champion, "Nations' Trade With Iran Is Hurdle for Sanctions Plan."
11. Bay Fang, "Treasury Wields Financial Sanctions; United States Strategy Straddles the Line Between Diplomacy, Military Might," *Chicago Tribune*, April 23, 2007, p. C1; Robin Wright, "Iran Feels Pinch as Major Banks Curtail Business," *Washington Post*, March 26, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/25/AR2007032501084.html>.
12. Stuart Levey, "A Current Assessment of Money Laundering and Terrorist Financing Threats and Countermeasures" (testimony, Senate Committee on Banking, Housing, and Urban Affairs, April 4, 2006), [http://banking.senate.gov/public/\\_files/ACFFE06.pdf](http://banking.senate.gov/public/_files/ACFFE06.pdf).
13. Stuart Levey, remarks before the 5th Annual Conference on Trade, Treasury and Cash Management in the Middle East, Dubai, March 7, 2007, <http://www.treas.gov/press/releases/hp297.htm>.
14. "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," hp-644, October 25, 2007, <http://www.ustreas.gov/press/releases/hp644.htm>.
15. Stuart Levey, testimony before the Senate Committee on Banking, Housing and Urban Affairs, March 21, 2007, <http://www.ustreas.gov/press/releases/hp325.htm> (hereinafter Levey 2007 Senate testimony).
16. Paulson remarks.
17. *Ibid.*
18. Burns, "Minimizing Potential Threats From Iran."
19. "Financial Crimes Enforcement Network; Amendment to the Bank Secrecy Act Regulations—Imposition of Special Measure Against Banco Delta Asia SARL," *Federal Register* 70, no. 181 (September 20, 2005): 55217, [http://www.fincen.gov/notice\\_banco.pdf](http://www.fincen.gov/notice_banco.pdf).
20. Steven Weisman, "The Ripples of Punishing One Bank," *New York Times*, July 3, 2007, <http://www.nytimes.com/2007/07/03/business/worldbusiness/03bank.html>.
21. Stuart Levey, remarks before the American Enterprise Institute for Public Policy Research, September 8, 2006, <http://www.ustreas.gov/press/releases/hp86.htm> (hereinafter Levey 2006 AEI remarks).
22. "War on Terrorism: The Financial Front," Council on Foreign Relations, January 10, 2007, <http://www.cfr.org/publication/12432/>.
23. Steven Weisman, "The Ripples of Punishing One Bank," *New York Times*, July 3, 2007, <http://www.nytimes.com/2007/07/03/business/worldbusiness/03bank.html>.
24. Foster Klug. "United States Urges Iran to Learn From N. Korea Sanctions," Associated Press, October 15, 2006.
25. Paulson remarks.
26. Mark Rice-Oxley, "United States Cautions Europe on Iran Investment," *Christian Science Monitor*, September 22, 2006, <http://www.csmonitor.com/2006/0922/p07s01-woeu.html>.
27. Adam J. Szubin, testimony before the Senate Committee on Banking, Housing and Urban Affairs, September 12, 2006, <http://www.treas.gov/press/releases/hp92.htm>.

28. Stephanie Kirschgaessner, "Banks Braced for Fines," *Financial Times*, August 29, 2007, <http://www.ft.com/cms/s/0/0527e010-5672-11dc-ab9c-0000779fd2ac.html>.
29. Levey 2007 Senate testimony.
30. Fang, "Treasury Wields Financial Sanctions."
31. Stephanie Kirchgassner and Peter Thal Larsen, "Lloyds TSB and Barclays in Sanctions Probe," *Financial Times*, March 5, 2008, <http://search.ft.com/ftArticle?queryText=peter+thal+larsen+sanctions&aje=false&id=080305000343&ct=0>.
32. Michael Hirsh, "Emptying Iran's Pockets," *Newsweek*, January 11, 2007, <http://www.newsweek.com/id/52575?tid=relatedcl>.
33. Levey 2007 Senate testimony.
34. Paulson remarks.
35. Dafna Linzer, "United States Urges Financial Sanctions on Iran," *Washington Post*, May 26, 2006, <http://www.washingtonpost.com/wp-dyn/content/article/2006/05/28/AR2006052800999.html>.
36. Levey 2007 Senate testimony.
37. United Nations (UN) Security Council Resolution 1737, S/RES/1737 (2006), December 23, 2006, <http://daccessdds.un.org/doc/UNDOC/GEN/N06/681/42/PDF/N0668142.pdf?OpenElement>.
38. UN Security Council Resolution 1747, S/RES/1747 (2007), March 24, 2007, <http://daccessdds.un.org/doc/UNDOC/GEN/N07/281/40/PDF/N0728140.pdf?OpenElement>.
39. UN Security Council Resolution 1803, S/RES/1803 (2008), March 3, 2008, <http://daccessdds.un.org/doc/UNDOC/GEN/N08/257/81/PDF/N0825781.pdf?OpenElement>.
40. Matthew Lee, "New Iran Nuclear Sanctions Delayed," Associated Press, September 28, 2007, [http://www.usatoday.com/news/washington/2007-09-28-3591335936\\_x.htm](http://www.usatoday.com/news/washington/2007-09-28-3591335936_x.htm).
41. Farah Stockman, "Bush Bid to Punish Iranian Banks Stalls," *Boston Globe*, December 18, 2007, <http://www.iht.com/articles/2007/12/18/africa/sanctions.php>.
42. Steven Weismann, "World Group Tells Banks to Beware Deals With Iran," *New York Times*, February 29, 2008, <http://www.nytimes.com/2008/02/29/world/middleeast/29sanctions.html?ref=todayspaper>.
43. David Blair, "Banks Recruited to Wage Financial War on Teheran," *Telegraph*, September 18, 2007, <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/09/18/wiran218.xml>.
44. Roula Khalaf, Simeon Kerry, and Daniel Dombey, "Dubai Reacts to United States Pressure on Iran," *Financial Times*, December 20, 2007, [http://us.ft.com/ftgateway/superpage.ft?news\\_id=fto122020071454599391](http://us.ft.com/ftgateway/superpage.ft?news_id=fto122020071454599391); "Chinese Banks Cut Back Business With Iran – Paper," Reuters, February 2, 2008, <http://in.reuters.com/article/business-News/idINIndia-31733220080202>.
45. Wright, "Iran Feels Pinch as Major Banks Curtail Business."
46. Steven Weismann, "Oversight Group Warns World About Iran's Banking System," *International Herald Tribune*, February 28, 2008, <http://www.iht.com/articles/2008/02/28/asia/iran.php>.
47. Rice-Oxley, "United States Cautions Europe on Iran Investment."
48. Paul de Bendor, "U.S.'s Burns Wants Businesses to Cut Iran Ties," Reuters, September 19, 2007, <http://www.reuters.com/article/newsOne/idUSL1991973320070919>.
49. "Iranian Firms Feel the Heat as Sanctions Bite," Reuters, September 26, 2007, <http://www.reuters.com/article/topNews/idUSBLA94936220070926>.

50. Wright, "Iran Feels Pinch as Major Banks Curtail Business"; Blair, "Banks Recruited to Wage Financial War on Tehran."
51. Blair, "Banks Recruited to Wage Financial War on Tehran."
52. Najmeh Bozorgmehr and Daniel Dombey, "Iranian Bank Shrugs Off Cost of United States Sanctions," *Financial Times*, January 4, 2008, [http://us.ft.com/ftgateway/superpage.ft?news\\_id=fto010420081741080706&page=2](http://us.ft.com/ftgateway/superpage.ft?news_id=fto010420081741080706&page=2).
53. Wright, "Iran Feels Pinch as Major Banks Curtail Business."
54. "The Big Squeeze," *Economist*, July 19, 2007, [http://www.economist.com/specialreports/displaystory.cfm?story\\_id=9466874](http://www.economist.com/specialreports/displaystory.cfm?story_id=9466874).
55. Barbara Slavin, "Iran's Economic Conditions Deteriorate," *USA Today*, February 6, 2007, [http://www.usatoday.com/news/world/2007-02-06-iran-economy\\_x.htm](http://www.usatoday.com/news/world/2007-02-06-iran-economy_x.htm).
56. "Big Squeeze."
57. Weismann, "Oversight Group Warns World About Iran's Banking System." See J. C. Sharman, "International Organizations and Implementation by Blacklisting" (paper, International Studies Association 48th Annual Convention, Chicago, February 28, 2007).
58. Neil King Jr., "China-Iran Trade Surge Vexes United States," *Wall Street Journal*, July 27, 2007, p. A1.
59. Council on Foreign Relations, "Bolurfrushan: Bank Pressures Hit Iranian Business Harder Than Sanctions," April 25, 2007, [http://www.cfr.org/publication/13179/bolurfrushan.html?breadcrumb=%2Fbios%2F12286%2Flee\\_hudson\\_teslik](http://www.cfr.org/publication/13179/bolurfrushan.html?breadcrumb=%2Fbios%2F12286%2Flee_hudson_teslik).
60. John Irish, "Dubai Becomes Iran's Business Hub," *Middle East Times*, March 21, 2007, <http://meo.tv/english/?id=20081>.
61. Simeon Kerr and Najmeh Bozorgmehr, "Gulf States Plan Trade Talks With Iran," *Financial Times*, September 17, 2007, [http://us.ft.com/ftgateway/superpage.ft?news\\_id=fto091720071314273688](http://us.ft.com/ftgateway/superpage.ft?news_id=fto091720071314273688); Najmeh Bozorgmehr and Simeon Kerr, "UAE Detains Ship as Grip on Tehran Tightens," *Financial Times*, November 30, 2007, [http://us.ft.com/ftgateway/superpage.ft?news\\_id=fto112920072112485932](http://us.ft.com/ftgateway/superpage.ft?news_id=fto112920072112485932).
62. Farnaz Fassihi and Chip Cummins, "Iranians Scheme to Elude Sanctions," *Wall Street Journal*, February 13, 2008, p. A1.
63. Rachel Bayefsky, "European Companies Brokering Deals With Iran Despite U.S. Stance," *Market Watch*, July 12, 2007, [http://www.marketwatch.com/news/story/european-companies-brokering-deals-iran/story.aspx?guid=%7bf50A93DC-D312-4871-9E07-E24CE66A6882%7d&dist=TQP\\_Mod\\_mktwN&print=true&dist=printTop](http://www.marketwatch.com/news/story/european-companies-brokering-deals-iran/story.aspx?guid=%7bf50A93DC-D312-4871-9E07-E24CE66A6882%7d&dist=TQP_Mod_mktwN&print=true&dist=printTop).
64. George Jahn, "Iran Starts Up Advanced Centrifuges," Associated Press, February 7, 2008, <http://abcnews.go.com/International/wireStory?id=4258829>.
65. Mark Heinrich, "No Proof Iran Running 3,000 Centrifuges: Diplomats," Reuters, September 4, 2007, <http://www.reuters.com/article/newsOne/idUSL0479215320070904>.
66. Ibid.
67. "Iran Leader Vows Never to Stop Enrichment," Associated Press, February 12, 2008, <http://www.cbsnews.com/stories/2008/02/12/world/main3820198.shtml>.
68. Patrick Clawson and Mehdi Khalaji, "Ahmadinezhad's Power Slipping in Iran," *Policy Watch*, no. 1281 (September 6, 2007), <http://www.washingtoninstitute.org/templateC05.php?CID=2657>.
69. Ibid.
70. Ibid.
71. Hirsch, "Putting the Squeeze on Iran."

72. Barbara Slavin, "Iranian Shakeup a Setback for Hardline Leader," *USA Today*, September 6, 2007, [http://www.usatoday.com/news/world/2007-09-04-iran\\_N.htm](http://www.usatoday.com/news/world/2007-09-04-iran_N.htm).
73. Office of the DNI, "National Intelligence Estimate: Iran."
74. EU official, interview with author, Brussels, September 2007.
75. Emmanuel Ottolenghi, briefing at Washington Institute for Near East Policy, Washington, D.C., December 17, 2007.
76. Benjamin Weinthal, "The German Connection," *Ha'aretz*, November 22, 2007, <http://www.haaretz.com/hasen/spages/927175.html>.
77. "Berlin Says United States and France Guilty of Hypocrisy," *Der Spiegel*, September 24, 2007, <http://www.spiegel.de/international/world/0,1518,507443,00.html>.
78. Warren Hoge, "Sudan Flying Arms to Darfur, Panel Reports," *New York Times*, April 18, 2007, <http://www.nytimes.com/2007/04/18/world/africa/18sudan.html>.
79. See Michael Jacobson "Pressure Gauges," *Guardian*, January 16, 2008, [http://commentisfree.guardian.co.uk/michael\\_jacobson/2008/01/pressure\\_gauges.html](http://commentisfree.guardian.co.uk/michael_jacobson/2008/01/pressure_gauges.html).
80. *Economist*, "Capital City," October 19, 2006, [http://www.economist.com/finance/displaystory.cfm?story\\_id=8058157](http://www.economist.com/finance/displaystory.cfm?story_id=8058157); Heather Timmons, "London: Financial Capital of the Universe?" *New York Times*, October 26, 2006, <http://www.iht.com/articles/2006/10/26/business/london.php>; Mark Yeandle, Michael Mainelli, and Adrian Berendt, "The Competitive Position of London as a Global Financial Centre," Corporation of London, November 2005, <http://www.zyen.com/Knowledge/Research/LCGFC.pdf>.
81. See Michael Jacobson, "Iran and the Road Ahead," *PolicyWatch*, no. 1350 (March 6, 2008), <http://www.washingtoninstitute.org/templateC05.php?CID=2726>.
82. Robert M. Kimmitt, remarks to the Soref Symposium, Washington Institute for Near East Policy, May 10, 2007, <http://www.treas.gov/press/releases/hp397.htm> (role of finance in combating national security threats).
83. Michael Jacobson, "Constraining Iran the Financial Way," *Beirut Daily Star*, April 27, 2007, <http://www.washingtoninstitute.org/templateC06.php?CID=1048>.
84. Janice Gardner, testimony before the Senate Appropriations Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies, April 6, 2006, <http://treas.gov/press/releases/js4164.htm>.
85. Paulson remarks.
86. David Lawder and Carol Giacomo, "United States Lawmakers Urge More Financial Sanctions on Iran," Reuters, August 18, 2007, <http://www.reuters.com/article/topNews/idUSN1820587220070418>.
87. Burns, "Minimizing Potential Threats From Iran."
88. Levey 2006 AEI remarks.