

How Europe Can Punish Iran's Missile Smuggling While Preserving the Nuclear Deal

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Brief Analysis

The UN has publicly identified the Iranian companies involved in smuggling ballistic missiles into Yemen, so Europe should quit stalling and follow Washington's example by sanctioning these firms.

On February 27, Russia blocked a draft UN Security Council resolution aimed at pressuring Iran in the wake of a damning report by the UN Panel of Experts on Yemen. Last month, the panel's annual report found conclusively that "the Islamic Republic of Iran is in non-compliance with paragraph 14 of resolution 2216 (2015)," referring to the UN arms embargo imposed on Yemen's Houthi rebels under Chapter VII of the UN Charter.

The report went public just as U.S. and European diplomats met on the sidelines of the February 16-18 Munich Security Conference, intent on finding ways to restrain Iran's destabilizing activities and thus convince the Trump administration to extend U.S. sanctions waivers that expire on May 12. If key states such as France, Britain, and Germany are looking for a way to start negotiations on the right foot, then one potent option is to place new European Union sanctions on the Iranian missile development companies that the UN panel has linked to arms smuggling in Yemen.

DETAILED UN EVIDENCE

The panel's January 26 report on Yemen was remarkably specific in explaining why Tehran is deemed noncompliant: "The Islamic Republic of Iran...failed to take the necessary measures to prevent the direct or indirect supply, sale or transfer of Borkan-2H short-range ballistic missiles, field storage tanks for liquid bipropellant oxidizer for missiles and Ababil-T (Qasef-1) unmanned aerial vehicles to the then Houthi-Saleh alliance...The Panel has now identified strong indicators of the supply of arms-related material manufactured in, or emanating from, the Islamic Republic of Iran subsequent to the establishment of the targeted arms embargo on 14 April 2015, particularly in the area of short-range ballistic missile technology and unmanned aerial vehicles."

The UN's findings against Iran break down into three main categories:

- **Provision of extended-range ballistic missiles.** UN experts visited Saudi Arabia in November and December to inspect the remnants of four missiles launched at the kingdom from Yemen (three fired at Riyadh on May 19, November 4, and December 19, and one fired at Yanbu on July 22). The delegation concluded that the "internal design features, external characteristics and dimensions [of the remnants] are consistent with those of the Iranian designed and manufactured Qiam-1 missile. This means that they were almost certainly produced by the same manufacturer." Specifically, the wreckage had markings consistent with systems made by Iran's Shahid Bakeri Industrial Group (SBIG). The UN further concluded that the weapon type smuggled from Iran to the Houthis was "not a Qiam-1 short-range ballistic missile, but a derived lighter version, designed specifically by the manufacturers of the Qiam-1 to extend the range to over 1,000 km by reducing weight." In other words, Iran designed a variant with the express goal of enabling the Houthis to hit Riyadh and other cities up to 1,000 kilometers from their areas of control.
- **Provision of missile fuel equipment.** Tehran was also found in noncompliance with the embargo because components manufactured or procured by Iranian firms were found inside liquid bipropellant storage tanks intercepted en route to the Houthis. These tanks support the reprocessing of inhibited red fuming nitric acid, the oxidizer for the bipropellant used in short-range ballistic missiles. The UN panel noted that two of the components were manufactured in Iran, while three others were supplied to Iran by foreign manufacturers, "one of which was paid for through a European bank account."
- **Provision of Qasef-1 unmanned aerial vehicles.** UN experts also reported that a number of complete Qasef-1 UAVs and related components recovered in Yemen were "virtually identical in design, dimensions and capability to that of the Ababil-T, manufactured by the Iran Aircraft Manufacturing Industries." Based on the design of the UAVs and the tracing of component parts, the panel concluded that the material necessary to assemble the Qasef-1s "emanated from the Islamic Republic of Iran." The panel clarified that "at least two components of the system were supplied to [Iran] after the implementation of the targeted arms embargo...The route for the funding of one of the components used a third party broker, and an intermediary account in a third country. This is indicative of a deliberate attempt to disguise the final destination of the components."

In addition, the panel continues to investigate other alleged instances of Iranian arms smuggling to Yemen, including very strong evidence that guidance systems were provided for an unmanned explosive boat, and strong evidence that complete antitank guided missile systems were transferred.

Taken together, the panel's findings clearly show that Iran has "failed to take the necessary measures to prevent the direct or indirect supply, sale or transfer of military related equipment to the Houthi-Saleh forces, an entity acting at the direction of listed individuals." Individual Iranian entities implicated in sanctions busting include SBIG, the Shahid Hemmat Industrial Group (SHIG), and the Iran Aircraft Manufacturing Industries (HESA), a subsidiary of the Iran Aircraft Industries Organization (itself a part of the Defense Industries Organization, or DIO). The UN presented Iran with tracing requests related to this equipment on November 26, December 11, and December 14, but the government has not replied.

EXPECTATIONS FOR EUROPEAN ACTION

On February 13, French president Emmanuel Macron stated that Tehran's proliferation of missiles to Syria and Yemen posed a threat to regional allies. He called for Iran to be put "under surveillance over its ballistic missiles" and suggested new sanctions on the country's ballistic missile program. Taking such action at the wider EU level would send a strong message that Europe sees Iranian missile proliferation as a threat and is willing to work with the United States to counter it.

To find good targets for sanctions, EU officials need only look at recent U.S. actions. Washington has sanctioned seventy-eight Iranian entities for activities related to ballistic missiles since implementation of the nuclear deal, but only three are on the EU list. A number of recent U.S. sanctions target subsidiaries of SBIG, SHIG, and DIO, all three of which remain subject to UN and hence EU sanctions.

For example, on January 4, the Treasury Department sanctioned five SBIG subsidiaries, one of which was already designated by the EU (Shahid Kharrazi Industries). The EU has the authority to designate the other four under European Council Regulation 267/2012, which was amended but not terminated following the nuclear deal.

Also notable is the July 2017 U.S. designation of six SHIG subsidiaries responsible for manufacturing missile airframes and liquid propellant ballistic missile engines, as well as guidance and control systems of the same type found among the inspected wreckage in Saudi Arabia. Congress has likewise sought to highlight these Iranian activities as part of the Countering America's Adversaries Through Sanctions Act, which was adopted in August and requires the administration to issue a report on U.S.-EU sanctions coordination every six months.

Other U.S. actions have drawn attention to Iran's missile cooperation with North Korea and its proliferation efforts in Syria. In January 2016, SHIG commercial director Sayyed Javad Musavi was designated for working with officials from the UN-designated Korea Mining Development Trading Corporation (KOMID). And in May 2017, DIO deputy director for commerce Morteza Farasatpour was sanctioned for coordinating the sale and delivery of explosives to the Scientific Studies Research Center, the Syrian regime agency responsible for nonconventional weapons and delivery systems. This included overseeing a credit line worth tens of millions of dollars for DIO.

To build on these U.S. measures in a manner that minimizes potential diplomatic obstacles, Washington should encourage European leaders to take specific follow-on actions of their own, reminding them that such actions (1) do not conflict with their commitments under the nuclear deal, and (2) are unlikely to disrupt EU commercial relations because the Iranian entities in question are already isolated from the international financial system due to American designations.

To be sure, new sanctions will not be enough to disrupt the flow of Iranian missiles to Yemen. Maritime interdiction is necessary as well—some of this is already taking place, and the UN report recommended further action along that line, such as placing a permanent UN Verification and Inspection Mechanism presence at Hodeida port. U.S. agencies should also work with their European counterparts to investigate and disrupt Iranian missile procurement activities mentioned in the UN report, and consider joint sanctions to expose Iranian procurement fronts operating abroad. In the meantime, any effort to bring EU sanctions in closer alignment with Washington's would send a clear message that Europe is willing to work with the Trump administration, and to call Iran out for its bad behavior in order to preserve the nuclear deal.

Michael Knights, a Lafer Fellow with The Washington Institute, recently inspected Iranian missile fragments recovered from Riyadh and Yanbu. Katherine Bauer, the Institute's Blumenstein-Katz Family Fellow, served as the Treasury Department's financial attache for the Gulf from 2013 to 2015. ❖

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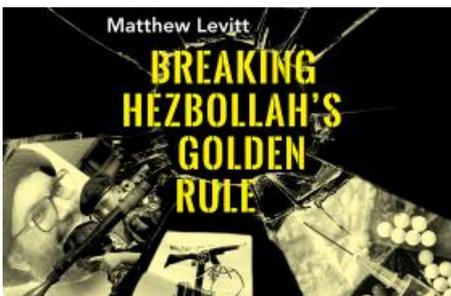
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