

Keeping Iran's Feet to the Fire

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Even with a deal now signed, the Obama administration still has many tools for countering Iran's menacing behavior across the Middle East.

The negotiations over Iran's nuclear program have finally produced an agreement. Yet a critical paradox remains lying at the heart of the deal -- a paradox still to be addressed by U.S. President Barack Obama's administration.

While the nuclear issue and Iran's support of terrorism are ostensibly distinct, they are in fact implicitly linked. On the one hand, U.S. officials have made clear that the deal is focused squarely on nuclear issues and is not part of a grand bargain to modify destabilizing Iranian behavior in the Middle East. But at the core of the nuclear negotiations is major sanctions relief for Tehran, which will provide it with sufficient resources to dramatically expand its destabilizing role in the region.

With sanctions relief tied to the fulfillment of its major obligations in the agreement, Iran would -- within as little as six to 12 months -- have access to what are now frozen bank accounts that total anywhere from \$100 billion to \$150 billion in sanctioned oil revenues. This does not even count economic gains accrued to Iran through reintegration into the global financial system or future oil revenue.

Senior administration officials have argued that Iran has an interest in putting the money toward Iran's ballooning civilian-infrastructure and domestic needs. This argument is predicated upon the notion that Iranian President

Hassan Rouhani ran his 2013 election campaign on lifting the economic sanctions and improving regular Iranians' livelihoods. With parliamentary elections in February 2016, the argument goes, he stands to gain politically by putting the money into raising Iranians' standard of living.

There is only one problem: Iran is not a democracy. Supreme Leader Ali Khamenei, who holds vastly more political power than Rouhani, is likely to financially compensate the hard-line Islamic Revolutionary Guard Corps (IRGC) to win its acquiescence on the nuclear deal. It is the IRGC that seeks to destabilize the Middle East by propping up Syrian President Bashar al-Assad's brutal regime in Damascus and furthering Iranian objectives in Iraq or Yemen. Now that this deal is signed, it will have new funds to do so.

Even if a large majority of the Iranian financial windfall goes to invigorate the moribund domestic economy, a relatively small slice of the \$100 billion to \$150 billion can go a long way in ramping up what the IRGC is already doing in destabilizing the Middle East. Iran's entire defense budget, according to Obama, is only \$30 billion. In the past, Iran funded Hezbollah to the tune of about \$200 million per year. But Hezbollah has much greater needs now: It has lost roughly 1,000 men fighting alongside Iran in Syria, and many more are injured.

Even Hezbollah's leaders have publicly expressed hope that the Iran deal will provide them with a major injection of cash, which is necessary to continue their uphill battle in Syria.

"If Iran gets back this money, what will it do with it?" Hezbollah leader Hassan Nasrallah reportedly asked this year. "A rich and strong Iran...will be able to stand by its allies and friends, and the peoples of the region, especially the resistance in Palestine, more than in any time in the past."

The Obama administration, for its part, has pledged that it will act to counter this windfall to some of the Middle East's most dangerous groups.

"Make no mistake; deal or no deal, we will continue to use all our available tools, including sanctions, to counter Iran's menacing behavior," Treasury Secretary Jack Lew said in April. "Iran knows that our host of sanctions focused on its support for terrorism and its violations of human rights are not, and have never been, up for discussion. The Treasury Department's designations of Iranian-backed terrorist groups...will persist, giving us a powerful tool to go after Iran's attempts to fund terror."

This statement provides the foundation for one tangible action the Obama administration could take to demonstrate -- both to its allies in the region and to leaders in Tehran -- that it will continue to counter Iran's menacing behaviors. It should conduct a review of all existing U.S. sanctions on Iranian entities for their weapons of mass destruction (WMD) proliferation and prepare a list of those that should remain in place because the designated entity is involved not only in proliferation but also in Iran's other "menacing" behaviors.

Beginning in 2006, the Treasury Department ratcheted up sanctions pressure on Tehran by proactively identifying Iranian individuals and entities engaged in a range of illicit conduct. These investigations revealed that more often than not, Iranian entities were involved in more than one type of illicit activity and therefore qualified for designation under multiple executive orders, such as those for WMD proliferation, human rights abuses, and support for terrorism.

In rare cases, an Iranian entity was designated under more than one authority. IRGC Quds Force commander Qassem Suleimani, for instance, was designated under WMD proliferation (2007), human rights abuses (2011), and support for terrorism (2011). But in the vast majority of cases, the person or entity was designated only once -- under the WMD proliferation authority, which enjoyed significantly more support from European and other allies than designations under terrorism or other authorities. This means that a host of entities engaged in illicit Iranian activities beyond WMD proliferation -- but that were designated solely under authorities targeting Iran's proliferation activities -- would in all likelihood be delisted under the Iran nuclear deal.

This applies to Iranian banks, most of which were designated under WMD proliferation authorities but which financed a broad range of illicit conduct. But it doesn't stop there. Consider the June 2011 designation of Tidewater Middle East Co., an Iranian company engaged in marine and port operations in Iran. Tidewater was blacklisted under Executive Order 13382 -- an authority aimed at "freezing the assets of proliferators of weapons of mass destruction (WMD) and their supporters," as the Treasury Department put it. But according to that same Treasury Department designation, the Iranian government "repeatedly used Tidewater-managed ports to export arms or related materiel in violation of United Nations Security Council resolutions." Or consider the case of Iran Air, also designated under Executive Order 13382, which the Treasury Department noted has been used by the IRGC to transport rockets or missiles -- sometimes disguised on flight manifests as medicine and generic spare parts -- to war-wracked countries like Syria.

The Treasury Department has long hewed to the famous maxim: Follow the money. In February 2010, it designated several subsidiary companies owned or controlled by the IRGC's Khatam al-Anbia construction company. Profits from the financial activities of these IRGC-linked companies, the department noted, "are available to support the full range of the IRGC's illicit activities, including WMD proliferation and support for terrorism." Following the conclusion of the nuclear deal, the basis for sanctions due to WMD proliferation may be gone -- but a number of Iranian concerns will remain just as guilty of supporting terrorism as before and should continue to be sanctioned.

This is not a ruse to reimplement the full sanctions architecture in the event of a nuclear deal, but rather a targeted means of addressing those Iranian illicit activities that would remain. This would apply to unilateral U.S. sanctions, but European countries could also be encouraged to follow suit, strengthening international pressure against Iran's illicit activity beyond the nuclear portfolio. Iran would still gain access to the \$100 billion to \$150 billion held in offshore frozen accounts, but not those held in U.S. banks, which must adhere to the administration's executive orders.

Such a step is also a crucial way for Obama to make good on his promise of countering Tehran's regional ambitions. After all, if Iran can have outsized influence if not outright control in Arab capitals such as Baghdad, Beirut, Damascus, and Sanaa while still under sanctions, what will its influence be following a large influx of funds that will allow it to empower elements in its own regime or proxies wanting to destabilize the region further?

The administration insists it will hold Iran's feet to the fire on the full range of its menacing behaviors. With a nuclear deal in hand, the administration needs to put forward a plan to do so. It could start here.

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