

# The World Can't Trust Iran

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Articles & Testimony

**S**tanding with the leaders of France and Great Britain at the G20 meeting in Pittsburgh on Friday, Barack Obama disclosed Iran's construction of yet another secret nuclear structure: a uranium enrichment facility near the holy city of Qom. How much hope should western powers have for the upcoming diplomatic negotiations when the regime in Tehran continues to pursue a secret nuclear programme beyond the reach of international inspectors?

The answer, based on Iran's record of deception, is little to none. Describing the Iranian nuclear programme as "the most urgent proliferation challenge that the world faces today," Gordon Brown noted that Iran has accumulated a record of "serial deception".

Iran's deception, however, has not been limited strictly to what it has disclosed -- or failed to disclose -- about its nuclear programme to the IAEA. Iran has engaged in deceptive conduct along many fronts over many years, including international finance, shipping and trade.

Consider a few examples:

In September 2008, the US treasury department designated the Islamic Republic of Iran Shipping Lines (IRISL) for its proliferation activities, noting: "Not only does IRISL facilitate the transport of cargo for UN designated proliferators, it also falsifies documents and uses deceptive schemes to shroud its involvement in illicit commerce." IRISL has used generic terms to describe shipments to avoid the scrutiny of shipping authorities and created cover entities to conduct its business, according to the treasury.

Iran has also made extensive use of front companies and proxies to circumvent UN, EU and US sanctions and procure dual-use and other sensitive technologies. The US justice department has prosecuted over 20 companies and individuals over the past year for sending a wide range of sensitive technology to Iran, including missile guidance systems, military aircraft parts and components for improvised explosive devices.

The Iranians have been doing this for years in Dubai, but as the Emirates have begun to crack down, new countries have emerged as safe havens, with Malaysia at the top of the list. Hong Kong is also becoming more of a problem in this area, with Iranian front companies and procurement agents setting up shop there. In addition, many of the designated Iranian shipping vessels are owned by German front companies.

In fact, Iran's deceptive activity was so widespread that in 2007, then-treasury secretary Henry Paulson warned that Iran's business practices -- including its use of front companies -- make it difficult to "know your customers". He went on to caution that "It is increasingly likely that if you are doing business with Iran, you are somehow doing business with the IRGC" -- a disturbing prospect given the important role that this paramilitary organisation plays in Iran's terrorism and proliferation activities.

Iran's state owned banks -- including the central bank -- have also been heavily engaged in deceptive conduct in an effort to facilitate the regime's support for terrorism and WMD programmes. Iran's state-owned Bank Sepah, blacklisted in 2007 by the US treasury for providing "extensive" financial services to Iranian entities involved in

WMD-related activities, is a good example. Sepah, according to the US government, engaged in "a range of deceptive financial practices in an effort to avoid detection", which included asking that its name be removed from international transactions.

Western banks have at times helped facilitate this activity. In January 2009, the British bank Lloyds TSB acknowledged, in a settlement agreement with the US government and the Manhattan DA's office, that from 1995 to 2007, it had falsified information on wire transfers involving sanctioned countries, such as Iran, so transactions could pass through the US financial system unnoticed. Under the agreement, Lloyds admitted responsibility for the criminal conduct and paid \$350m, split evenly between New York county and the federal government.

As the US government stressed on Friday, the exposure of yet another secret nuclear facility "follows a familiar pattern of concealment and deception by Iran and casts serious doubts on its claims of peaceful intent". As the west moves forward, it must be prepared to meet Iran's deception with countermeasures to, at a minimum, disrupt the regime's illicit conduct.

The options for additional sanctions -- from targeting Iran's dependence on foreign refineries to sanctioning additional Iranian banks, and from multilateral sanctions at the UN to unilateral or regional sanctions imposed by individual countries or regional bodies -- are well known. More creative ideas, such as leveraging the Foreign Corrupt Practices Act (FCPA) in the US, or encouraging the implementation of the World Customs Organisation's (WCO) draft Framework of Standards to Secure and Facilitate Global Trade, are also already on the table.

What Friday's revelations add to the mix is the impetus to move forward expeditiously on some of these existing ideas. As Iran's record of deception makes clear, trusting in Iran's good intentions at the negotiating table is simply a fool's errand.

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