

# The Smarter Way to Target Iran

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## Brief Analysis

On August 15, the New York Times and Washington Post reported that the Bush administration was considering sanctioning Iran's Islamic Revolutionary Guard Corps (IRGC) for its terrorist-related activities. This designation could have a significant impact, as Iranian leaders are vulnerable to the types of "smart sanctions" that would result. Finding others to join in this designation, however, would make it far more effective.

### Ratcheting up the Pressure

A terrorist designation for the Revolutionary Guards would mark the culmination of the administration's recent campaign to highlight the IRGC's dangerous activities. Speaking in Dubai in March 2007, U.S. under secretary of the treasury Stuart Levey warned, "When corporations do business with IRGC companies, they are doing business with organizations that are providing direct support to terrorism." In a July 2007 speech, Secretary of the Treasury Henry Paulson focused on the Revolutionary Guards, arguing, "The IRGC is so deeply entrenched in Iran's economy and commercial enterprises, it is increasingly likely that if you are doing business with Iran, you are somehow doing business with the IRGC."

Despite the growing rhetoric, this would be the United States's first such enforcement action against the IRGC or its officials. In fact, the United States -- unlike Europe -- still has not designated the IRGC entities and officials named in UN Security Council Resolutions 1737 and 1747. (It is ironic that the U.S. government has yet to fully comply with the Security Council resolutions it so strongly advocated.) Designating the IRGC also likely indicates resistance at the UN to American proposals to target the IRGC. After the passage of Resolution 1737 in December 2006, in which IRGC commander Yahya Rahim Safavi was listed, Levey argued that "the resolution also requires that the assets be frozen of all the entities [Safavi] owns or controls. So if it is fully implemented, that applies to the entire IRGC."

### Basis for Sanctions

The New York Times and Washington Post articles differed on what the administration proposes to do. The Washington Post stated that the IRGC would be sanctioned under Executive Order (EO) 13224 -- issued on

September 23, 2001 by President Bush under the International Emergency Economic Powers Act (IEEPA) -- the most commonly used of the administration's tools in this area. Almost five hundred individuals and entities are now on this list. The New York Times, on the other hand, reported that the IRGC would be listed as a Foreign Terrorist Organization (FTO), joining about forty other groups on that list.

These distinctions carry different legal ramifications. First, an FTO listing applies only to accounts at financial institutions, not to other types of property. By contrast, an EO 13224 designation means all assets of the designated entity within U.S. jurisdiction are frozen, including not only bank accounts but all other property as well. Second, the ban on material support to an FTO is so sweeping that, in the words of former Department of Justice assistant attorney general Christopher Wray, "it has allowed us to strike earlier and earlier."

Designation as either an FTO or under EO 13224 would be a departure from the approach to date. The focus of the Treasury Department's recent unilateral sanctions has been on Iran's weapons of mass destruction (WMD) program, not its terrorist activity. The Treasury has blacklisted more than twenty Iranian entities for WMD proliferation under EO 13382, which was signed by President Bush in June 2005. This includes Bank Sepah, which was involved in supporting the regime's ballistic missile program (the bank was subsequently listed by the UN). Bank Saderat was an exception to this rule, as it was targeted by the Treasury for its role in financing terrorist organizations

### Smart Sanctions

After the extensive use of sanctions in the early 1990s -- from Iraq to Burma, Haiti, Yugoslavia, and many cases in Africa -- governments and scholars focused on drawing lessons learned. One point of broad consensus was that targeted sanctions were more effective than broad-brush measures. Indeed, there was general agreement that "smart sanctions" should target the leaders of the regime one wishes to influence, while every effort should be made to protect the modern, globally connected middle classes who are most vulnerable to a cutoff of international ties.

The West and the UN Security Council applied these lessons in many of the sanctions regimes of the late 1990s. During the war in Bosnia, the United States and the EU barred travel to the West by about six hundred members of the Serbian elite and imposed restrictions on many Serbian firms linked to that elite; more recently, Western nations taken similar actions against the Zimbabwean elite. The Security Council ordered restrictions on travel by diplomats and other officials -- often citing individuals by name -- from Angola, Ivory Coast, Liberia, Libya, Sierra Leone, and Sudan. In most cases, the assets of particular leaders were also frozen. Other examples of targeted sanctions included the Security Council's ban on Yugoslavian participation in international sporting events and a ban on the export of key commodities financing conflicts from Angola, Cambodia, Liberia, and Sierra Leone.

### Iran's Corrupt Leaders: Susceptible to Economic Pressure

Applying the sanctions lessons of the last twenty years to Iran, the clear implication is that Western interests are best served by measures that target the regime's leaders. But how vulnerable to economic pressure are Iran's leaders?

Contrary to their image as ideological fanatics, Iran's leaders in fact devote much of their efforts to lining their own pockets -- fighting more often and viciously to protect their incomes than their ideas.

Mahmoud Ahmadinezhad won the 2005 presidential elections by campaigning against the infamous corruption of the ruling elite, epitomized by his opponent Ali Akbar Hashemi Rafsanjani. Once in power, Ahmadinezhad and his followers have proved as corrupt as their predecessors. Ahmadinezhad's family has parachuted into top positions; for instance, the head of the presidential office is his brother, the cabinet executive secretary is one brother-in-law, and the national police commander is another brother-in-law. On August 12, the Industries Minister, one of the more technically competent members of the cabinet, was replaced by Ahmadinezhad's nephew. The foreign minister, Manouchehr Mottaki, also appointed as his director-general for human rights his wife, a pharmacologist with no experience in foreign affairs.

Meanwhile, the master of corruption, Rafsanjani, continues to be a key actor as both head of the Expediency Council (empowered to settle disputes between the president and parliament) and, at least temporarily, the Assembly of Experts (which chooses and has the power to dismiss the supreme leader). Throughout his long career, Rafsanjani has placed high priority on advancing the economic interests of his family -- such as his son, who is now the manager of the Tehran Metro.

And, as Mehdi Khalaji showed in [PolicyWatch no. 1273, "Iran's Revolutionary Guards Corps, Inc."](http://www.washingtoninstitute.org/templateC05.php?CID=2649) (<http://www.washingtoninstitute.org/templateC05.php?CID=2649>) the IRGC is both the central prop for the Islamic Republic and also a center for corruption, lining its pockets through shady deals and brute force.

#### Next Steps

Before taking unilateral action against the IRGC, the United States should strongly press other countries to join in the designation -- or even to take the lead, if possible. According to Treasury Secretary Paulson, the United States unsuccessfully attempted to persuade other governments to act against Bank Sepah prior to the UN Security Council doing so. The problem, in part, Paulson noted, was that other countries lacked the domestic legal authorities to target WMD proliferators. A terrorist-related designation would be another story, as far more countries have the domestic legal systems to freeze terrorists' assets.

Britain would be a logical candidate to join in this action. The U.K. has a well developed system for proscribing terrorist organizations, and its naval forces recently were directly targeted by the IRGC. Other countries that might join in a designation would be those that have blacklisted Hizballah -- the IRGC's primary beneficiary. While the U.K. has designated Hizballah's external security organization, the Netherlands, Australia, and Canada have all listed the entire organization. Although action by the UN or Iran's main trading partners would be ideal, from a symbolic perspective, having any partners at all for the designation would be far preferable to going it alone.

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