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Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran

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Chairmen Barr and Pearce, Vice Chairmen Williams and Pittenger, Ranking Members Moore and Perlmutter, distinguished members of the House Committee on Financial Services, on behalf of the Foundation for Defense of Democracies, thank you for providing me with this opportunity to testify. It is a great privilege to be presenting my analysis alongside my colleague Dr. Emanuele Ottolenghi, as well as Matthew McInnis and Dr. Suzanne Maloney, all of whose scholarship on Iran I respect immensely. I will discuss today the Islamic Republic of Iran's non-nuclear threats, as well as potential U.S. policy options to deal with those threats.

Introduction

Our present discussion on how to push back against Iran's enduring "non-nuclear" threats is a product of diplomatic developments from the summer of 2015, when international negotiators from the P5+1 and Iran agreed to the Joint Comprehensive Plan of Action (JCPOA) nuclear deal. Despite its name, the agreement, which provided the Islamic Republic with over \$100 billion in upfront sanctions relief,¹ was anything but comprehensive. The JCPOA only temporarily deals with select aspects of the Islamic Republic's illicit nuclear program. The agreement does not address issues relevant to delivery vehicles like ballistic missiles,² despite assessments from the U.S. intelligence community that ballistic missiles were Tehran's "preferred method of delivering nuclear weapons."³ Compounding this problem, United Nations Security Council Resolution (UNSCR) 2231, which enshrined the accord,⁴ features an Annex containing watered-down prohibitions on missile testing, further indicative of an Iranian negotiating victory.⁵

And missiles are not the only challenge that the deal overlooked. The accord does not address Iran's illicit financial activities, support for terrorism, regional destabilization, and flagrant human rights abuses. These issues constitute Iran's enduring non-nuclear threats. They are "enduring" because they are the same issues that have made and kept Iran an international pariah.

With the removal or waiving of nuclear sanctions pursuant to the JCPOA as well as the informal sanctions relief Iran has received, it has become considerably difficult to influence the behavior of what Secretary of Defense James Mattis has called the "biggest state sponsor of terrorism."⁶

¹ Adam Szubin, "Written Testimony of Adam J. Szubin, Acting Under Secretary of Treasury for Terrorism and Financial Intelligence United States Senate Committee on Banking, Housing, and Urban Affairs," *Testimony before Senate Committee on Banking, Housing, and Urban Affairs*, August 5, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0144.aspx>)

² Behnam Ben Taleblu, "Don't Forget Iran's Ballistic Missiles," *War on the Rocks*, August 25, 2014. (<https://warontherocks.com/2014/08/dont-forget-irans-ballistic-missiles/>)

³ James R. Clapper, "Statement for the Record, Worldwide Threat Assessment of the US Intelligence Community," *Testimony before the Senate Select Committee on Intelligence*, January 29, 2014, page 6. (<http://online.wsj.com/public/resources/documents/DNIthreats2014.pdf>)

⁴ United Nations Security Council, "Resolution 2231 (2015): Ballistic missile-related transfers and activities," accessed March 25, 2016. (<http://www.un.org/en/sc/2231/restrictions-ballistic.shtml>)

⁵ See positions in: Parisa Hafezi and Louis Charbonneau, "Iran demands end to U.N. missile sanctions, West refuses," *Reuters*, July 6, 2015. (<http://www.reuters.com/article/us-iran-nuclear-idUSKCN0PF0HG20150706>). In 2014, Iranian officials held the line on not including missiles in talks. "روحانی: توان موشکی ایران به هیچ وجه قابل مذاکره نیست (Rouhani: Iran's Missile Capabilities Are By No Means Negotiable)," *Kayhan* (Iran) August 17, 2014. (<http://kayhan.ir/fa/news/21352>)

⁶ Defense Secretary James Mattis quoted in: "Iran is world's biggest state sponsor of terrorism, US says," *BBC News* (UK), February 4, 2017. (<http://www.bbc.com/news/world-us-canada-38868039>)

Assuming that the nuclear accord will remain in place,⁷ the immediate challenge for U.S. policy will be how to identify and erode Iran's non-nuclear threats. Such endeavors are not impossible, but require considerable political will and commitment over a long period of time.

Iran's Non-Nuclear Threats

Although there are a whole host of issues which have made the Islamic Republic of Iran a rogue regime – such as the abhorrent treatment of its own people – this testimony will focus on Iran's ballistic missile development, its support for terrorism and regional destabilization, and illicit financial activities.

Ballistic Missile Development

According to former Director of National Intelligence James Clapper, Iran currently possesses the largest arsenal of ballistic missiles in the entire Middle East.⁸ This arsenal grew out of the need to deter and retaliate against Iraqi Scud missile attacks during the 1980-1988 Iran-Iraq War.⁹ Iran continued to procure missile technology and parts from North Korea after the war,¹⁰ cognizant that a robust missile force could provide it with deterrent dividends that its weakened conventional military forces could not.¹¹ Over time and through overt and covert missile launches, ballistic missiles have come to form the backbone of Iran's military strategy.¹² While this strategy is predicated on deterrence,¹³ Tehran's missile forces can also be used to intimidate or coerce its regional rivals.¹⁴ It also permits the Islamic Republic to engage in persistent low-intensity conflict against Western and Israeli interests as well as sponsor terrorism without fear of kinetic reprisal.

Post-Nuclear Negotiations Ballistic Missile Testing

⁷ While it is too soon to tell what the Trump administration's policy will be with respect to the JCPOA, there are indications that the administration desires to keep the deal in place in the short-term. Specifically, Christopher Ford of the National Security Council told a conference hosted by The Carnegie Endowment for International Peace, "Until otherwise decided, the United States will adhere to the Iran nuclear deal and ensure that Iran also does." "White House Adviser Says Will Honor Iran Nuclear Deal, Ensure Iran Complies," *Radio Free Europe/Radio Liberty*, March 22, 2017. (<http://www.rferl.org/a/white-house-aide-ford-says-honor-iran-nuclear-deal-ensure-iran-complies/28383425.html>)

⁸ James R. Clapper, "Statement for the Record, Worldwide Threat Assessment of the US Intelligence Community," *Testimony before the Senate Armed Services Committee*, February 9, 2016, page 8. (https://www.dni.gov/files/documents/SASC_Unclassified_2016_ATA_SFR_FINAL.pdf)

⁹ Behnam Ben Taleblu, "The Long Shadow of the Iran-Iraq War," *The National Interest*, October 23, 2014. (<http://nationalinterest.org/feature/the-long-shadow-the-iran-iraq-war-11535?page=show>); Bilal Y. Saab and Michael Elleman, "Precision Fire: A Strategic Assessment of Iran's Conventional Missile Program," *The Atlantic Council*, September 2016. (http://www.atlanticcouncil.org/images/publications/Precision_Fire_web_0907.pdf)

¹⁰ "Iran Missile Milestones: 1985-2016," *Iran Watch*, July 13, 2016. (<http://www.iranwatch.org/our-publications/weapon-program-background-report/iran-missile-milestones-1985-2016>)

¹¹ Shahram Chubin, *Iran's Nuclear Ambitions*, (Washington, DC: The Carnegie Endowment for International Peace, 2006), page 48.

¹² See the evolution of Iran's missiles in the PDF report available at: "قیام موشکی (Missile Uprising)," *Islamic Revolution Documentation Center* (Iran), November 9, 2016, (<http://www.irdc.ir/fa/news/372/قیام-موشکی>)

¹³ U.S. Department of Defense, "Unclassified Report on Military Power of Iran," April 2010. (https://fas.org/man/eprint/dod_iran_2010.pdf)

¹⁴ Bilal Y. Saab and Michael Elleman, "Precision Fire: A Strategic Assessment of Iran's Conventional Missile Program," *The Atlantic Council*, September 2016. (http://www.atlanticcouncil.org/images/publications/Precision_Fire_web_0907.pdf)

Since agreeing to the nuclear deal in July 2015, a survey of open-source English- and Persian-language reporting reveals Iran may have tested up to 14 ballistic missiles as of February 2017. Missile launches permit Tehran to ascertain valuable data about a projectiles' readiness and performance. It also permits the regime to signal defiance to the international community. Thus far, the only discernable responses to these launches have been two sets of Treasury designations by the Obama administration in early 2016 and another batch from the Trump administration in early 2017. Below is a list of those reported missile launches:¹⁵

1. Fateh-313

- a. *Missile type:* Short-Range Ballistic Missile (SRBM)
- b. *Date launched:* August 2015
- c. *Importance:* The Fateh-313 allegedly upgrades the range and accuracy of Iran's single-stage solid-fuel Fateh-110.

2. Emad

- a. *Missile type:* Medium-Range Ballistic Missile (MRBM)
- b. *Date launched:* October 2015
- c. *Importance:* The Emad appears to have the body of an Iranian MRBM but with a new warhead with finlets¹⁶ that could allegedly aid in terminal phase steering. According to the Center for Strategic & International Studies, the Emad "is Iran's first maneuvering reentry vehicle equipped system."¹⁷

3. Ghadr-110 (aka Ghadr 1/Ghadr-101)

- a. *Missile type:* MRBM
- b. *Date launched:* November 2015
- c. *Importance:* According to the International Institute for Strategic Studies, the Ghadr (Qadr) is an upgraded Shahab-3 MRBM.¹⁸

4. Ghadr-F

- a. *Missile type:* MRBM
- b. *Date launched:* March 2016
- c. *Importance:* Fired during a two-day missile drill. The Ghadr platform was one of the first missiles launched by Iran after the JCPOA entered into force.

5. Ghadr-H

- a. *Missile type:* MRBM
- b. *Date launched:* March 2016

¹⁵ The list of 14 missiles is an abridged form (along with additional data) of the timeline in: Behnam Ben Taleblu, "Iranian Ballistic Missile Tests Since the Nuclear Deal," *Foundation for Defense of Democracies*, February 9, 2017. (http://www.defenddemocracy.org/content/uploads/documents/20917_Behnam_Ballistic_Missile.pdf)

¹⁶ Seen in images here: "Emad," *Military Edge*, accessed March 25, 2017. (<http://militaryedge.org/armaments/emad/>)

¹⁷ Anthony H. Cordesman, "Iran's Rocket and Missile Forces and Strategic Options," *Center for Strategic & International Studies*, October 7, 2014, page 98. (https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/141007_Iran_Rocket_Missile_forces.pdf)

¹⁸ *Iran's Ballistic Missile Capabilities: A Net Assessment* (UK: The International Institute for Strategic Studies, 2010), pages 24 - 27.

- c. *Importance*: Two Ghadr-H's were believed to be fired during the two-day missile drill. At least one of them had an anti-Israel slogan in Persian and Hebrew on the missile's body quoting former Supreme Leader Ayatollah Khomeini.¹⁹

6. Ghadr-H

- Missile type*: MRBM
- Date launched*: March 2016
- Importance*: See listing above.

7. Qiam-1

- Missile type*: SRBM
- Date launched*: March 2016
- Importance*: There is a consensus among open sources that the Qiam-1 is a finless Shahab-2 (which itself is an Iranian copy of the Scud-C).²⁰

8. Shahab-3

- Missile type*: MRBM
- Date launched*: March 2016
- Importance*: The Shahab-3 is a copy of the North Korean Nodong-A.²¹ It was also Iran's first missile that put Israel in striking distance.

9. Simorgh

- Missile type*: Space Launch Vehicle (SLV)
- Date launched*: April 2016
- Importance*: Even though the Simorgh's launch is not technically the same as a missile test, it matters because the U.S. National Air and Space Intelligence Center assessed that Iran's SLVs "could serve as a test bed for developing ICBM technologies."²² An Iranian ICBM serves no military purpose other than to deliver weapons of mass destruction. It would also significantly bolster Iranian deterrence by being able to threaten Europe.

10. Unknown Ballistic Missile

- Missile type*: Likely MRBM (a plausible but less likely alternative is an Intermediate-Range Ballistic Missile – IRBM)
- Date launched*: April 2016

¹⁹ "پیام موشکی سپاه به زبان «عبری» مخابره شد: «ایران» در یک آزمایش موشکی در 9 مارس 2016 (The IRGC's Missile Message was Transmitted in 'Hebrew': «Images» + «عبری» مخابره شد: «ایران» در یک آزمایش موشکی در 9 مارس 2016," *Fars News Agency* (Iran), March 9, 2016. (<http://www.farsnews.com/newstext.php?nn=13941219000316>)

²⁰ Michael Elleman, "Iran's Ballistic Missile Program," *Written Statement Presented to U.S. Senate Committee on Banking, Housing, and Urban Affairs*, May 24, 2016, page 3.

(<https://www.banking.senate.gov/public/cache/files/f64d023a-d6fc-4dc4-84a7-ead10ba8192cf/90DC029490361D182584B92FCAD76111.052416-elleman-testimony.pdf>); "Shahab 2 (Scud-C variant)," *Center for Strategic & International Studies*, August 9, 2016.

(<https://missilethreat.csis.org/missile/shahab-2/>); "Qiam-1," *Military Edge*, accessed February 1, 2017.

(<http://militaryedge.org/armaments/qiam-1/>); "Scud C (Shahab-2/Hwasong-6)," *Military Edge*, accessed February 1, 2017. (<http://militaryedge.org/armaments/scud-c/>)

²¹ "Shahab-3A," *Military Edge*, accessed March 25, 2017. (<http://militaryedge.org/armaments/shahab-3a/>)

²² U.S. National Air and Space Intelligence Center, "Ballistic & Cruise Missile Threat," May 2013, page 3. (<https://info.publicintelligence.net/NASIC-BallisticMissileThreat.pdf>)

- c. *Importance*: N/A, but continued missile launches during the JCPOA implementation period have been labeled by former United Nations Secretary General Ban-Ki moon as contrary to “the constructive spirit” of the JCPOA.²³

11. BM-25 Musudan

- a. *Missile Type*: IRBM
- b. *Date launched*: July 2016
- c. *Importance*: Although the test was only reported by one outlet,²⁴ it has been alleged that Iran received the BM-25 from North Korea at some point in the mid-2000s.²⁵

12. Zulfiqar (aka The Zolfaghar)

- a. *Missile type*: SRBM
- b. *Date launched*: September 2016
- c. *Importance*: Proof of Iran’s continued upgrading of the Fateh-110 class of surface-to-surface missiles. Iranian outlets claim this missile has a submunitions warhead.²⁶

13. Shahab-3

- a. *Missile type*: MRBM
- b. *Date launched*: December 2016
- c. *Importance*: See previous Shahab-3 entry.

14. Khorramshahr

- a. *Missile type*: Likely MRBM
- b. *Date launched*: January 2017
- c. *Importance*: First ballistic missile test under the Trump administration. According to Iranian sources, the name of the missile was announced in September 2016.²⁷

Since being put “on notice” by the White House in February,²⁸ Tehran has not fired another MRBM. It has however upped the ante by test-firing two Hormuz-2 anti-ship ballistic missiles near the Strait of Hormuz at a floating barge.²⁹ Iran’s anti-ship ballistic missiles compound the threat posed by its array of anti-ship cruise missiles, many of which it procured from China in the 1990s and reverse engineered. Anti-ship missiles can be used to threaten civilian and military vessels traversing the Persian Gulf.

Support for Terrorism and Regional Destabilization

²³ Noted in: Carol Morello, “Assessing the Iran nuclear deal one year after it was reached,” *The Washington Post*, July 13, 2016. (https://www.washingtonpost.com/world/national-security/assessing-the-iran-nuclear-deal-one-year-after-it-was-reached/2016/07/13/cf3de73a-4828-11e6-acbc-4d4870a079da_story.html?utm_term=.4243b49614ea)

²⁴ Lucas Tomlinson, “Exclusive: Iran conducts 4th missile test since signing nuke deal,” *Fox News*, July 15, 2016. (<http://www.foxnews.com/world/2016/07/15/exclusive-iran-conducts-4th-missile-test-since-signing-nuke-deal.html>)

²⁵ Uzi Rubin, “The Global Reach of Iran’s Missiles,” *Institute for National Security Studies* (Israel), November 2006, pages 29-36. ([http://www.inss.org.il/uploadimages/Import/\(FILE\)1188302022.pdf](http://www.inss.org.il/uploadimages/Import/(FILE)1188302022.pdf))

²⁶ “موشک ذوالفقار جدیدترین موشک ایرانی رونمایی شد + تصاویر” (The Zulfiqar Missile ‘Iran’s Newest Missile is Unveiled + Images), *Tasnim News Agency* (Iran), September 21, 2016.

(<https://www.tasnimnews.com/fa/news/1395/06/31/1191852/موشک-ذوالفقار-جدیدترین-موشک-ایرانی-رونمایی-شد-تصاویر>)

²⁷ “Iran to produce 3 types of missiles by year end: Defense minister,” *Press TV* (Iran), September 25, 2016.

(<http://www.presstv.com/Detail/2016/09/25/486287/Iran-Hossein-Dehqan-Qadir>)

²⁸ The White House, Office of the Press Secretary, “Statement by the National Security Advisor,” February 1, 2017.

(<https://www.whitehouse.gov/the-press-office/2017/02/01/statement-national-security-advisor>)

²⁹ “Iran successfully test-fires Hormuz-2 ballistic missile,” *Press TV* (Iran), March 9, 2017.

(<http://www.presstv.ir/Detail/2017/03/09/513676/Iran-Hormuz-Amirali-Hajizadeh>)

Although Iran was formally designated as a “State Sponsor of Terrorism” in 1984,³⁰ in November 1979, mere months after the Islamic Republic was declared, radical Iranian students took over 50 diplomats hostage for 444 days and ransacked the U.S. embassy in Tehran.³¹ Since then, Iran has continued to engage in subversive behavior abroad. Iran has used proxies, like Lebanese Hezbollah, and elements of its intelligence and security apparatus, like the Islamic Revolutionary Guard Corps (IRGC) and its elite Quds-Force (IRGC-QF), to attack Western military and diplomatic facilities as well as civilian targets such cultural centers. In 1994, Iran bombed the AMIA Jewish Cultural Center in Buenos Aires, Argentina, killing 85 people.³² It has also assassinated Iranian dissidents throughout Europe, including Kurdish activists, a former prime minister, and a famous anti-regime musician.³³ The regime’s agents have also not hesitated to use diplomatic cover in their schemes.³⁴

Iran has conducted or supported acts of terror across four continents. The Central Intelligence Agency (CIA) noted in 1987: “Terrorism is an important instrument of Iranian foreign policy, used both to promote national interests and to export the regime’s revolutionary ideals.”³⁵ This remains true today. In 2010, the U.S. Department of Defense assessed that “over the last three decades, Iran has methodically cultivated ... terrorist surrogates capable of conducting effective, plausibly deniable attacks against Israel and the United States.”³⁶

Iran has never failed to employ creativity to engage in acts of terror. In 2011, a member of Iran’s IRGC-QF enlisted a family member living in the U.S. who sold used cars in an attempt to assassinate the Saudi ambassador to the U.S. at a popular restaurant in Georgetown.³⁷

³⁰ U.S. Department of State, Bureau of Counterterrorism and Countering Violent Extremism, “Country Reports on Terrorism 2015: Chapter 3: State Sponsors of Terrorism Overview,” June 2016.

(<https://www.state.gov/j/ct/rls/crt/2015/257520.htm>)

³¹ U.S. Department of State, Office of the Historian, “The Iranian Hostage Crisis,” accessed March 23, 2017.

(<https://history.state.gov/departments/history/short-history/iraniancrises>)

³² Kenneth Katzman, “Iran’s Foreign and Defense Policies,” *Congressional Research Service*, February 6, 2017, page 6. (<https://fas.org/spp/crs/mideast/R44017.pdf>); “Argentina identifies last victim of AMIA bombing, 22 years on,” *The Times of Israel* (Israel), August 11, 2016. (<http://www.timesofisrael.com/argentina-identifies-last-victim-of-amia-bombing-22-years-on/>)

³³ “No Safe Haven: Iran’s Global Assassination Campaign,” *Iran Human Rights Documentation Center*, May 2008. (<http://www.iranhrdc.org/english/publications/reports/3152-no-safe-haven-iran-s-global-assassination-campaign.html>)

³⁴ Jack Anderson and Dale Van Atta, “Rome A Center of Iran’s Terror Plotting,” *The Washington Post*, January 24, 1986. (<https://www.cia.gov/library/readingroom/docs/CIA-RDP90-00965R000100110151-5.pdf>); Dexter Filkins, “The Shadow Commander,” *The New Yorker*, September 30, 2013.

(<http://www.newyorker.com/magazine/2013/09/30/the-shadow-commander>)

³⁵ Central Intelligence Agency, Director of Central Intelligence, “Iran’s Use of Terrorism: Interagency Intelligence Assessment,” September 1, 1987, page 1. (<https://www.cia.gov/library/readingroom/docs/CIA-RDP91T00498R000800100002-2.pdf>)

³⁶ U.S. Department of Defense, “Unclassified Report on Military Power of Iran,” April 2010, page 8.

(https://fas.org/man/eprint/dod_iran_2010.pdf)

³⁷ Peter Finn, “Man in Iran-backed plot to kill Saudi ambassador gets 25 years,” *The Washington Post*, May 30, 2013. (https://www.washingtonpost.com/world/national-security/man-in-iran-backed-plot-to-kill-saudi-ambassador-gets-25-years/2013/05/30/0435e7a2-c952-11e2-8da7-d274bc611a47_story.html?utm_term=.78d468c33589)

In the Middle East, Iran supported terrorist groups and militias to bleed the U.S. while it operated in Iraq (2003-2011).³⁸ Iran even turned to its old-enemy, the Taliban, to go after U.S. and coalition forces in Afghanistan.³⁹ Despite Iran's Shiite and revolutionary leadership, according to the Department of Defense, the "IRGC-QF is not constrained by ideology; many of the groups it supports do not share, and sometimes openly oppose, Iranian revolutionary principles, but Iran supports them because they share common interests or enemies."⁴⁰ This helps to explain Iran's ties to the Sunni terrorist group al-Qaeda.⁴¹ In 2007, Osama bin Laden described Iran as the group's "main artery for funds."⁴² In 2012, the Treasury Department exposed the ties that Iran's Ministry of Intelligence had with al-Qaeda.⁴³

Similarly, Iran has supported all manner of Palestinian terrorist groups in an effort to destroy the State of Israel. One main group Iran backs is Hamas. Iran's support to Sunni Hamas has consisted of training and weapons,⁴⁴ as well as robust political and financial assistance in the 1990s and 2000s.⁴⁵ While Iran has brandished its provision of rockets like the Fajr-5 as late as 2014,⁴⁶ experts assess that the Syrian civil war had a dampening effect on Iran's funding to the group.⁴⁷

Recent/Ongoing Terrorism and Subversion Campaigns

³⁸ As noted throughout: Michael R. Gordon and Bernard E. Trainor, *The Endgame: The Inside Story of the Struggle for Iraq, from George W. Bush to Barack Obama*, (New York: Pantheon Books, 2012).

³⁹ U.S. Department of the Treasury, Press Release, "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

⁴⁰ U.S. Department of Defense, "Unclassified Report on Military Power of Iran," April 2010, page 8. (https://fas.org/man/eprint/dod_iran_2010.pdf)

⁴¹ Thomas Jocelyn, "Treasury 'further exposes' Iran-al Qaeda relationship," *FDD's Long War Journal*, October 8, 2012. (http://www.longwarjournal.org/archives/2012/10/treasury_further_exp.php); Helene Cooper, "Treasury Accuses Iran of Aiding Al Qaeda," *The New York Times*, July 28, 2011.

(<http://www.nytimes.com/2011/07/29/world/29terror.html>); U.S. Department of the Treasury, Press Release, "Treasury Designates Three Senior Al-Qaida Members," July 20, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0523.aspx>)

⁴² Quoted in: Greg Miller and Julie Tate, "Osama bin Laden warned against almost every aspect of Islamic State playbook," *The Washington Post*, March 1, 2016. (https://www.washingtonpost.com/world/national-security/in-secret-will-bin-laden-wanted-his-fortune-to-keep-funding-war-on-west/2016/03/01/b3a03d6c-dfa4-11e5-846c-10191d1fc4ec_story.html?utm_term=.03c3d9413af1)

⁴³ Noted in: Thomas Jocelyn, "Doomed Diplomacy: There's no way Iran will ever help fight al Qaeda," *The Weekly Standard*, March 2, 2015. (<http://www.weeklystandard.com/doomed-diplomacy/article/859655>)

⁴⁴ U.S. Department of Defense, "Unclassified Report on Military Power of Iran," April 2010, page 9. (https://fas.org/man/eprint/dod_iran_2010.pdf); Kenneth Katzman, "Iran's Foreign and Defense Policies," *Congressional Research Service*, February 6, 2017, page 37. (<https://fas.org/sgp/crs/mideast/R44017.pdf>)

⁴⁵ Jonathan Schanzer, "Hamas's Benefactors: A Network of Terror," *Testimony before the Subcommittee on Terrorism, Nonproliferation, and Trade and Subcommittee on the Middle East and North Africa of the House Committee on Foreign Affairs*, September 9, 2014, pages 9-10.

(http://www.defenddemocracy.org/content/uploads/publications/Schanzer_WrittenTestimony_HamasFinance_Sept9.pdf)

⁴⁶ "Iran says it gave Hamas missile technology," *Associated Press*, August 4, 2014.

(<http://www.cbsnews.com/news/iran-says-it-gave-hamas-missile-technology/>)

⁴⁷ Jonathan Schanzer, "Hamas's Benefactors: A Network of Terror," *Testimony before the Subcommittee on Terrorism, Nonproliferation, and Trade and Subcommittee on the Middle East and North Africa of the House Committee on Foreign Affairs*, September 9, 2014. (<http://www.defenddemocracy.org/media-hit/schanzer-jonathan-hamas-benefactors-a-network-of-terror1/>)

The war in Syria has painted Iran as more of a Shiite sectarian actor than ever before. Iran calls the countless Shiite militiamen and IRGC/IRGC-QF fighters and officers who die in Syria “defenders of the shrine” in an effort to give religious legitimacy to their military mission.⁴⁸ Iran has also formed and deployed all-Afghan⁴⁹ and all-Pakistani⁵⁰ Shiite militias to bolster Assad.⁵¹ Similarly in Iraq, Iran continues to use the fight against the Islamic State (IS) to cement its presence through armed networks,⁵² attempting to make the Iraqi central government reliant on it.⁵³ However, news reports from 2016 indicate that Iran’s methods and disregard for Iraqi sovereignty has irked officials in Baghdad.⁵⁴ This presents U.S. policymakers with an opportunity to more visibly come to Baghdad’s aide and prevent it from falling into the clutches of the Islamic Republic.

Two years before the onset of the Syrian civil war, the Department of Defense estimated that Iran spent an average of \$100-\$200 million annually to keep Lebanese Hezbollah afloat.⁵⁵ Given that Iran has marshaled its Lebanese proxy to bail out the Assad regime,⁵⁶ this figure has likely grown in the past few years. Iran’s other Levantine partner, the embattled Assad regime, is desperate for money, men, and munitions, all of which Iran has been furnishing for over half a decade. According to an estimate by the office of the UN Special Envoy for Syria, Iran reportedly furnishes Assad with up to \$6 billion per year.⁵⁷ Such funding enables the Syrian government to persist in the war against its own people.

Elsewhere in the region, Iran continues to fall back on tried and true methods like distributing low-cost weaponry to jurisdictions of weak central authority where ethno-sectarian wars are raging.

⁴⁸ Bozorgmehr Sharafedin and Babak Dehghanpisheh, “Abandoning discretion, Iranians proclaim their role in Syrian war,” *Reuters*, September 21, 2016. (<http://www.reuters.com/article/mideast-crisis-iran-syria-idINKCN11R2EA>). This phenomenon is contextualized in: Afshon Ostovar, *Vanguard of the Imam: Religion, Politics, and Iran's Revolutionary Guards*, (New York: Oxford University Press, 2016), pages 204-208.

⁴⁹ Amir Toumaj, “IRGC commander discusses Afghan militia, ‘Shia liberation army,’ and Syria,” *FDD’s Long War Journal*, August 24, 2016. (<http://www.longwarjournal.org/archives/2016/08/irgc-commander-discusses-afghan-militia-shia-liberation-army-and-syria.php>)

⁵⁰ “Iran in Syria: From an Ally of the Regime to an Occupying Force,” *Naame Shaam*, April 2016, Second Edition, page 7. (http://www.naameshaam.org/wp-content/uploads/2016/04/Iran_in_Syria_2edition_2016.pdf)

⁵¹ Ali Alfoneh, “Non-Iranian Shiites Paying the Price in Aleppo,” *The Washington Institute for Near East Policy*, August 31, 2016. (<http://www.washingtoninstitute.org/policy-analysis/view/non-iranian-shiites-paying-the-price-in-aleppo>)

⁵² Bill Roggio and Caleb Weiss, “Iraqi Shiite militia leader says he would overthrow government if ordered by Iran’s supreme leader,” *FDD’s Long War Journal*, November 12, 2015.

(<http://www.longwarjournal.org/archives/2015/11/us-designated-terrorist-of-iraqi-militia-reportedly-in-aleppo.php>)

⁵³ Posited in: Behnam Ben Taleblu, “Enemy of Convenience: Iran’s Fight Against Daesh,” *FRIDE*, December 2015. (http://fride.org/download/PB213_Iran_fight_against_Daesh.pdf)

⁵⁴ Maher Chmaytelli, “Iraq’s Abadi keeps Iran at arm’s length in war on Islamic State,” *Reuters*, February 22, 2016. (<http://www.reuters.com/article/us-mideast-crisis-abadi-insight-idUSKCN0VU0ER>)

⁵⁵ U.S. Department of Defense, “Unclassified Report on Military Power of Iran,” April 2010, page 8. (https://fas.org/man/eprint/dod_iran_2010.pdf)

⁵⁶ Martin Chulov, “Syrian town of Qusair falls to Hezbollah in breakthrough for Assad,” *The Guardian* (UK), June 5, 2013. (<https://www.theguardian.com/world/2013/jun/05/syria-army-seizes-qusair>); Sulome Anderson, “Hezbollah Is the Real Winner of the Battle of Aleppo,” *Newsweek*, January 9, 2017.

(<http://www.newsweek.com/2017/01/20/hezbollah-real-winner-battle-aleppo-539558.html>)

⁵⁷ Eli Lake, “Iran Spends Billions to Prop Up Assad,” *Bloomberg*, June 9, 2015.

(<https://www.bloomberg.com/view/articles/2015-06-09/iran-spends-billions-to-prop-up-assad>)

My colleague Patrick Megahan and I noted in 2015 that Iran is able to keep its adversaries' well-equipped conventional forces at bay by providing easy-to-produce munitions to militants which force its adversaries to develop expensive countermeasures.⁵⁸ Iran's support to the Houthis in Yemen exemplifies this. In early 2017, we cited Tehran's problematic provision of anti-tank missiles to the Houthis for use against Saudi-led coalition forces.⁵⁹ More recently, the U.S. State Department attested that the U.S. government has "seen indications Iran is providing missile support to the Houthis in Yemen."⁶⁰ Iran's arms transfers to Yemen have been interdicted multiple times, and violate the arms ban⁶¹ found in the Annex of UNSCR 2231.⁶²

Illicit Financial Activities

Iran's illicit financial activities continue to undermine the integrity of the rules-based financial order. Iran's financial activities often involve the movement of money to illicitly procure parts and technology for Iran's missile program,⁶³ as well as to sponsor terrorist activities.⁶⁴ However, even innocuous-looking transactions may involve illicit actors. As noted by the Financial Action Task Force (FATF) in February 2017, the organization "remain[s] concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system."⁶⁵ Additionally, Iran remains designated by the U.S. Treasury Department "as a jurisdiction of 'primary money laundering concern' under section 311 of the USA PATRIOT Act"⁶⁶ pursuant to a 2011 finding. The present hesitancy exhibited by European banks towards doing business with Iran is indicative of this status and concerns about Iranian financial institutions which lack anti-money laundering controls.

⁵⁸ Patrick Megahan and Behnam Ben Taleblu, "Putting Iran's Arms Proliferation Back in Business," *Military Edge*, August 5, 2015. (<http://militaryedge.org/analysis-articles/putting-irans-arms-proliferation-business/>)

⁵⁹ Behnam Ben Taleblu and Patrick Megahan, "Iran's Maritime Mirage," *The Cipher Brief*, January 3, 2017. (<https://www.thecipherbrief.com/article/exclusive/middle-east/irans-maritime-mirage-power-projection-through-conventional-means>)

⁶⁰ U.S. Department of State, Press Release, "Iran, North Korea, and Syria Nonproliferation Act Sanctions," March 24, 2017. (<https://www.state.gov/r/pa/prs/ps/2017/03/269084.htm>)

⁶¹ United Nations Security Council, "Resolution 2221 (2015): Arms-related transfers," accessed March 27, 2017. (<http://www.un.org/en/sc/2231/restrictions-arms.shtml>)

⁶² Jerrica Goodson, Simon Chin, and Valerie Lincy, "Iranian Arms Shipments to Yemen Violate U.N. Resolutions," *Iran Watch*, November 3, 2016. (<http://www.iranwatch.org/our-publications/policy-briefs/iranian-arms-shipments-yemen-violate-un-resolutions>)

⁶³ For reporting on this procurement throughout 2015, see: German Federal Ministry of the Interior, "2015 Annual Report on the Protection of the Constitution Facts and Trends, June 28, 2016, page 30.

(<https://www.verfassungsschutz.de/embed/annual-report-2015-summary.pdf>). On materials, see the applicability of the products purchased and the payments made in: Andrea Stricker, "Case Study: Guilty Plea for Charge of Exporting Metallic Powder to Iran," *Institute for Science and International Security*, March 23, 2017. (<http://isis-online.org/isis-reports/detail/case-study-guilty-plea-for-charge-of-exporting-metallic-powder-to-iran>). Also see the case of Karl Lee, in: "Li Fang Wei," *Iran Watch*, April 20, 2016. (<http://www.iranwatch.org/suppliers/li-fang-wei>).

⁶⁴ See examples in Louis Charbonneau, Jonathan Saul, and James Pomfret, "Exclusive: Iran uses China bank to transfer funds to Quds-linked companies – report," *Reuters*, November 18, 2014. (<http://www.reuters.com/article/us-iran-sanctions-china-exclusive-idUSKCN0J20CE20141119>) and U.S. Department of State, Bureau of Counterterrorism and Countering Violent Extremism, "Country Reports on Terrorism 2015: Chapter 3: State Sponsors of Terrorism Overview," accessed March 24, 2016. (<https://www.state.gov/j/ct/rls/crt/2015/257520.htm>)

⁶⁵ Financial Action Task Force, "Public Statement - 24 February 2017," February 27, 2017. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2017.html>)

⁶⁶ U.S. Department of the Treasury, Press Release, "Fact Sheet: New Sanctions on Iran," November 21, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1367.aspx>)

Prior to the nuclear deal, Iranian financial institutions faced an escalating series of sanctions that impeded their ability to conduct business as usual. To offset this, Iran developed work-arounds by using shell companies, dealing in cash and precious metals, as well as more sophisticated sanctions-busting schemes across different jurisdictions to continue to turn a profit. A key player in this regard was an Iranian businessman named Babak Zanjani. Zanjani reportedly sold over 20 million barrels of oil on behalf of Iran by abusing the legitimate financial system and working through a Malaysian financial institution which he owned.⁶⁷ Zanjani has fallen afoul of the Rouhani administration which has cracked down on corrupt officials from the Ahmadinejad-era (2005-2013). This campaign, however, should not be interpreted as an anti-corruption effort – Rouhani’s men also engage in systemic corruption⁶⁸ – but rather political payback.

Targeting Iran’s threat networks through sanctions is not only desirable, but possible. Doing so is consistent with the JCPOA as well as the broad contours of U.S. strategy toward the Islamic Republic of Iran over three decades. For the foreseeable future, it will remain in the national interest of the U.S. to erode Iran’s ballistic missile progress, defend the integrity of the international financial system, and disrupt its terrorist networks.

Dealing with Iran’s Non-Nuclear Threats while Maintaining the JCPOA

The JCPOA aims to forestall an Iranian nuclear weapon through infusions of cash and access to international markets. As a result, the deal prevented what experts believe would have been an Iranian balance-of-payments crisis had sanctions remained in 2013.⁶⁹ Since the final accord entered its implementation phase in January 2016, Iran’s economy has been improving.

According to estimates by the International Money Fund (IMF), Iran underwent an “impressive recovery” and had a projected 6-percent growth rate for the Persian year 1395-1396 (March 2016 – March 2017).⁷⁰ Yet Tehran has also been the beneficiary of additional forms of relief. It received controversial cash payments from the Obama administration totaling \$1.7 billion⁷¹ to settle an arms dispute with the U.S.⁷² predating the 1979 Islamic revolution. In 2016, the United Nations lifted

⁶⁷ Susan Engel Rasmussen, “How Babak Zanjani Went From Iran’s Top Sanctions Buster to Dead Billionaire Walking,” *Newsweek*, March 14, 2016. (<http://www.newsweek.com/2016/03/25/babak-zanjani-iran-sanctions-corruption-execution-436360.html>)

⁶⁸ Shabnam von Hein, “Reform regime in Tehran faces corruption allegations,” *Deutsche Welle* (Germany), September 3, 2016. (<http://www.dw.com/en/reform-regime-in-tehran-faces-corruption-allegations/a-19525195>)

⁶⁹ First noted by: Mark Dubowitz and Annie Fixler, “The White House Cedes More, Even As Iran’s Economy Recovers,” *Foundation for Defense of Democracies*, April 1, 2016. (<http://www.defenddemocracy.org/media-hit/dubowitz-mark-the-white-house-cedes-more-even-as-irans-economy-recovers/>)

⁷⁰ IMF data reported in: Ladane Nasser, “Iran’s ‘Impressive Recovery’ Clouded by ‘Uncertainty,’ IMF Says,” *Bloomberg*, February 28, 2017. (<https://www.bloomberg.com/news/articles/2017-02-28/iran-s-impressive-recovery-clouded-by-uncertainty-imf-says>)

⁷¹ Jay Solomon and Carol E. Lee, “U.S. Sent Two More Planeloads of Cash to Iran After Initial Payment,” *The Wall Street Journal*, September 6, 2016. (<http://www.wsj.com/articles/u-s-sent-two-more-planeloads-of-cash-to-iran-after-initial-payment-1473208256>)

⁷² For a helpful primer on those arms contracts, see: U.S. General Accounting Office, Report by the Comptroller General of the United States, “Financial and Legal Implications of Iran’s Cancellation of Arms Purchase Agreements,” July 25, 1979. (<http://www.iranwatch.org/sites/default/files/us-gao-cancellationagreement-072579.pdf>)

their sanctions on Bank Sepah,⁷³ a key Iranian financial institution that has underwritten much of the country's missile development, well in advance of the scheduled delisting.⁷⁴

An improved Iranian economy may sound like good news to those of us who wish the Iranian people well, but in reality, it provides additional resources for the regime to continue engaging in the same sort of behavior that has characterized the Islamic Republic since 1979. And nowhere in the JCPOA is the U.S. restricted from using diplomatic, informational, military, and economic (DIME) tools to challenge this behavior.

This view is not only held by those who have cited the fatal flaws of the JCPOA, but also by members of the previous U.S. administration who negotiated the deal. In an address at American University in August 2015, former President Barack Obama announced, "We will continue to have sanctions in place on Iran's support for terrorism and violation of human rights. We will continue to insist upon the release of Americans detained unjustly."⁷⁵ In September 2015, former Secretary of State John Kerry promised, "Have no doubt. The United States will oppose Iran's destabilizing policies with every national security tool available."⁷⁶ And during the August 2015 testimony of Adam Szubin, acting under secretary of Treasury for terrorism and financial intelligence, he explained, "We will be aggressively countering the array of Iran's other malign activities. The JCPOA in no way limits our ability to do so, and we have made our posture clear to both Iran and to our partners. ... Let there be no doubt about our willingness to continue enforcing these sanctions."⁷⁷

Yet despite this outpouring of support for enforcing coercive measures against Tehran's non-nuclear threats after agreeing to the JCPOA in July 2015, the U.S. has appeared at best hesitant, and at worst irresolute, in combatting these threats. For instance, after three Iranian missile tests between July and December 2015, at least one of which a UN Panel of Experts determined violated UNSCR 1929,⁷⁸ the U.S. Treasury Department responded with symbolic designations⁷⁹ pursuant

⁷³ "Bank Sepah," *Iran Watch*, January 16, 2016. (<http://www.iranwatch.org/iranian-entities/bank-sepah>)

⁷⁴ Simon Chin and Valerie Lincy, "U.S. Surrenders Powerful Financial Weapon to Counter Iran's Missile Program," *Iran Watch*, October 6, 2016. (<http://www.iranwatch.org/our-publications/policy-briefs/us-surrenders-powerful-financial-weapon-counter-irans-missile-program>)

⁷⁵ President Barack Obama, in: "Full text: Obama gives a speech about the Iran nuclear deal," *The Washington Post*, August 5, 2015. (https://www.washingtonpost.com/news/post-politics/wp/2015/08/05/text-obama-gives-a-speech-about-the-iran-nuclear-deal/?utm_term=.e817a12ada2d)

⁷⁶ Secretary of State John Kerry, in: Patricia Zengerle, "Obama scores policy win in securing votes for Iran nuclear deal," *Reuters*, September 2, 2015. (<http://www.reuters.com/article/us-iran-nuclear-congress-idUSKCN0R21L620150902>)

⁷⁷ Adam Szubin, "Written Testimony of Adam J. Szubin, Acting Under Secretary of Treasury for Terrorism and Financial Intelligence United States Senate Committee on Banking, Housing, and Urban Affairs," *Testimony before Senate Committee on Banking, Housing, and Urban Affairs*, August 5, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0144.aspx>)

⁷⁸ Louis Charbonneau, "Iran's October missile test violated U.N. ban: expert panel," *Reuters*, December 16, 2015. (<http://www.reuters.com/article/us-iran-missiles-un-exclusive-idUSKBN0TY1T920151216>)

⁷⁹ Behnam Ben Taleblu, "Sanctions Delay Lets Tehran Expand Missile Power," *Foundation for Defense of Democracies*, January 11, 2016. (<http://www.defenddemocracy.org/media-hit/behnam-ben-taleblu-sanctions-delay-lets-tehran-expand-missile-power/>)

to Executive Order 13382⁸⁰ in January 2016 and several additional designations in March 2016.⁸¹ This, in conjunction with the lack of pushback against Iran's ongoing human rights abuses,⁸² appears to indicate that the U.S. was intimidated by the Iranian narrative that any new non-nuclear sanctions would result in the collapse of the deal.

On July 20, 2015, part of Iran's official statement on the adoption of UNSCR 2231 read:⁸³

The Islamic Republic of Iran may reconsider its commitments under the JCPOA, if the effects of the termination of the UNSC sanction, or EU or US nuclear related sanctions or restrictive measures are impaired by continued application or the imposition of new sanctions with a nature and scope identical or similar to those that were in place prior to the Implementation Date, irrespective of whether such new sanctions are introduced on nuclear related or other grounds.

Iran's statement was predicated on one very problematic paragraph in the introduction of the JCPOA that reads, the U.S. and EU "will refrain from any policy specifically intended to directly and adversely affect the normalisation of trade and economic relations with Iran."⁸⁴

This clause, more than anything else, constitutes Iran's argument against the imposition of new sanctions, or even the enforcement of existing sanctions for non-nuclear reasons.⁸⁵ This paragraph should be interpreted narrowly, rather than broadly as Iran is trying to do. It is important to remember two key things about the deal. By design, the JCPOA's scope is limited to nuclear issues. Thus, Iran will only receive "nuclear sanctions" relief, and the U.S. is only committed to waiving/lifting sanctions, not advocating for Iranian business.⁸⁶ These factors circumscribe any interpretation that Iran can marshal about one clause in the deal.

⁸⁰ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Those Involved in Ballistic Missile Procurement for Iran," January 17, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0322.aspx>)

⁸¹ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Supporters of Iran's Ballistic Missile Program and Terrorism-Designated Mahan Air," March 24, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0395.aspx>); U.S. Department of the Treasury, Press Release, "Counter Terrorism Designations; Non-proliferation Designations," March 24, 2016. (<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20160324.aspx>)

⁸² The last time the U.S. Treasury sanctioned an Iranian entity or individual for human rights abuses was in December 2014. U.S. Department of the Treasury, Press Release, "Treasury Designates Additional Individuals and Entities Under Iran-related Authorities," December 30, 2014. (<https://www.treasury.gov/press-center/press-releases/Pages/jl9731.aspx>)

⁸³ "Iran statement following UNSC Resolution 2231 endorsing JCPOA," *Islamic Republic News Agency* (Iran), July 20, 2015. (<http://www7.irma.ir/en/News/81688987/>)

⁸⁴ Joint Comprehensive Plan of Action, Vienna, July 14, 2015, paragraph 29, page 14. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf)

⁸⁵ Noted in: Behnam Ben Taleblu, "How Iran Ruined Nuclear Deals for Everyone," *The National Interest*, July 20, 2016. (<http://nationalinterest.org/feature/how-iran-ruined-nuclear-deals-everyone-17051>)

⁸⁶ Adam Szubin, Acting Undersecretary of the Treasury Department, said to this effect, the JCPOA is "an international arrangement, not a cashier's check." Quoted in: Jay Solomon, Asa Fitch, and Benoit Faucon, "Iran's Central Bank Chief Warns Banking-Access Issues Jeopardize Nuclear Deal," *The Wall Street Journal*, April 15, 2016. (<https://www.wsj.com/articles/irans-central-bank-chief-warns-banking-access-issues-jeopardize-nuclear-deal-1460745930>). A similar point was made by Mark Dubowitz during an FDD event. See transcript: "Keeping Iran in Check: How to Combat Iran's Illicit Activities," *Foundation for Defense of Democracies*, March 24, 2017. (http://www.defenddemocracy.org/content/uploads/documents/32417_Keeping_Iran_Check_Transcript.pdf)

To better defend and maintain the legitimate and legal space for the enforcement as well as imposition of non-nuclear sanctions while adhering to the deal, Congress and the administration should take three principled steps to counter Iran's interpretations of the accord.

First, the U.S. should call Iran's bluff. Iran has threatened that it retains other "options" aside from adhering to the JCPOA.⁸⁷ It has also claimed that non-nuclear sanctions violate the deal.⁸⁸ But accepting both Iranian arguments at face value fails to comprehend that Iran retains distinct incentives to stick with the JCPOA, as it gets more out of the deal than the U.S. does. The U.S. should remain resolute and not amend its strategy based solely on Iran's distorted arguments. The debate over renewing the Iran Sanctions Act (ISA) provides an instructive example. In November 2016, Iran's supreme leader said, "If this [the ISA] renewal is administered and becomes operational, it is certainly a violation of the JCPOA and [they] should know that the Islamic Republic of Iran will certainly display reactions against it."⁸⁹ Before the ISA renewal could be brought before the Joint Commission, Iran's President Rouhani escalated the matter further by threatening to develop nuclear maritime propulsion.⁹⁰ When the Joint Commission decided against Iran on the ISA renewal question,⁹¹ not only did Iran not walk away from the JCPOA,⁹² but it appeared to reframe the ISA renewal in its own media outlets.⁹³

Second, the U.S. should engage in an equally powerful counter-narrative campaign. Iran has complained about the West's purported refusal to provide economic relief.⁹⁴ Discussing Western banks' behavior in April 2016, the governor of Iran's central bank exclaimed, "They need to do whatever is needed to honor their commitments ... Otherwise, the [Iran nuclear deal] breaks up under its own terms."⁹⁵ Instead of accepting this narrative, Washington should push back by

⁸⁷ Noted by Iranian Foreign Minister Zarif in: "Iran says has options if nuclear deal fails," *Reuters*, November 10, 2016. (<http://www.reuters.com/article/us-usa-election-iran-zarif-idUSKBN1351IX>)

⁸⁸ In October 2015, Iran's Supreme Leader Khamenei noted in a letter to President Rouhani that "any new sanctions on any level with any excuse (for example with the repetitive fake excuses of support for terrorism or human rights) pursued by any of the opposing countries in the negotiations will be considered a breach of the Bar-Jaam [JCPOA]." "Leader's letter to President Rouhani regarding the JCPOA," *Khamenei Website*, October 21, 2015.

(<http://english.khamenei.ir/news/2336/Leader-s-letter-to-President-Rouhani-regarding-the-JCPOA>)

⁸⁹ Ayatollah Seyyed Ali Khamenei quoted in: "۱۰ ساله قطعاً نقض برجام است/ جمهوری اسلامی واکنش نشان" (Implementing the 10 year renewal of sanctions is certainly a violation of the JCPOA/The Islamic Republic will display a reaction), *Defa Press* (Iran), November 23, 2016. (<http://defapress.ir/fa/news/214602/-اجرای-تمدید-۱۰-ساله-قطعاً-نقض-برجام-است-جمهوری-اسلامی-واکنش-نشان-خواهد-داد>)

⁹⁰ "دستورهای مهم رئیس جمهور به ظریف و صالحی" (The President's important orders to Zarif and Salehi)," *Islamic Republic News Agency* (Iran), December 13, 2016. (<http://www.irna.ir/fa/News/82344987/>)

⁹¹ European Union External Action, Press Release, "Press release on behalf of the Joint Commission of the JCPOA (10 January 2017)," January 10, 2017. ([https://eeas.europa.eu/headquarters/headquarters-homepage/en/18436/Press%20release%20on%20behalf%20of%20the%20Joint%20Commission%20of%20the%20JCPOA%20\(10%20January%202017\)](https://eeas.europa.eu/headquarters/headquarters-homepage/en/18436/Press%20release%20on%20behalf%20of%20the%20Joint%20Commission%20of%20the%20JCPOA%20(10%20January%202017)))

⁹² Shadia Nasralla, "Iran decides not to upset nuclear deal over U.S. sanctions extension," *Reuters*, January 10, 2017. (<http://www.reuters.com/article/us-iran-nuclear-idUSKBN14U2CL>)

⁹³ "JCPOA Parties: ISA Extension Not Affecting Removal of Anti-Iran Sanctions," *Fars News Agency* (Iran), January 11, 2017. (<http://en.farsnews.com/newstext.aspx?nn=13951022000738>)

⁹⁴ Also see the conditions impacting the return of banks in: Bozorgmehr Sharafedin, "Iran says European banks reluctant to resume transactions," *Reuters*, March 5, 2016. (<http://www.reuters.com/article/us-iran-europe-banks-idUSKCN0W70OX>)

⁹⁵ Valiollah Seif quoted in: Jay Solomon, Asa Fitch, and Benoit Faucon, "Iran's Central Bank Chief Warns Banking-Access Issues Jeopardize Nuclear Deal," *The Wall Street Journal*, April 15, 2016.

providing instances of banks refusing to deal with Iranian financial institutions because of their poor management and the resulting challenge of conducting proper due diligence to ensure that their Iranian interlocutor is not engaged in terror or proliferation finance. Iran's outdated banking system has also not made things easy. Despite desiring "financial legitimization"⁹⁶ to get off the FATF blacklist, the country's hardliners continue to view compliance with international bodies like FATF as "self-sanctioning."⁹⁷ Congress must challenge the notion that Iran is a responsible financial player by highlighting compliance risks.

And finally, U.S. officials should embrace the bully pulpit to put the spotlight on Iran. While this admittedly is not always done through statutory measures, the executive branch's recent actions are instructive. After news reports of an Iranian MRBM launch in December⁹⁸ and another in January,⁹⁹ the new administration not only designated Iranian and non-Iranian entities supportive of its ballistic missile program,¹⁰⁰ but it publically put Iran "on notice."¹⁰¹ To date, Iran has not test-fired another MRBM. Providing evidence that such measures work against Iran, the commander of Iran's IRGC-Aerospace Force recently noted that the reason Iran removed a space launch vehicle from a launch pad in early February¹⁰² was due to the concerns of "some men" over the potential American reaction.¹⁰³

What Non-Nuclear Sanctions Accomplish

Building on what is left of the sanctions architecture against Iran is essential if the U.S. is serious about challenging Tehran on non-nuclear grounds. In addition to the intuitive rationales in impeding Iran's progress on ballistic missiles, curbing its terrorism-sponsoring capabilities, and foiling its regional designs, targeting Iran's non-nuclear threats may facilitate closer defense,

<https://www.wsj.com/articles/irans-central-bank-chief-warns-banking-access-issues-jeopardize-nuclear-deal-1460745930>

⁹⁶ Noted by Mark Dubowitz in: "Transcript of press call on Iran's place on Financial Action Task Force (FATF)," *Foundation for Defense of Democracies*, accessed March 28, 2017. (<http://www.defenddemocracy.org/transcript-media-conference-call-on-the-financial-action-task-force-fatf-an/>)

⁹⁷ "چگونه با رژیم می که هدفش سرنگونی ماست، مذاکره کنیم/ بلای «یاسر عرفات» را سر ما هم می آورند" (How to Negotiate with A Regime Whose Goal is Our Downfall/They Will Also Bring the Same Scourge [which they brought] on Yasser Arafat Upon Us)," *Tasnim News Agency* (Iran), November 2, 2016.

<https://www.tasnimnews.com/fa/news/1395/08/12/1202756/-/مذاکره-کنیم-بلای-یاسر-که-هدفش-سرنگونی-ماست>
([عرفات-را-سر-ما-هم-می-آورند](https://www.tasnimnews.com/fa/news/1395/08/12/1202756/-/مذاکره-کنیم-بلای-یاسر-که-هدفش-سرنگونی-ماست))

⁹⁸ Lucas Tomlinson and Jennifer Griffin, "Iran launched another ballistic missile in secret last month, US officials say," *Fox News*, January 31, 2017. (<http://www.foxnews.com/world/2017/01/31/iran-launched-another-ballistic-missile-in-secret-last-month-us-officials-say.html>)

⁹⁹ David E. Sanger, "Iran Launches a Missile, Testing Trump's Vows of Strict Enforcement," *The New York Times*, January 30, 2017. (https://www.nytimes.com/2017/01/30/world/middleeast/iran-missile-test.html?_r=0)

¹⁰⁰ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Supporters of Iran's Ballistic Missile Program and Iran's Islamic Revolutionary Guard Corps – Qods Force," February 3, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/as0004.aspx>)

¹⁰¹ The White House, Office of the Press Secretary, "Statement by the National Security Advisor," February 1, 2017. (<https://www.whitehouse.gov/the-press-office/2017/02/01/statement-national-security-advisor>)

¹⁰² Lucas Tomlinson and Jennifer Griffin, "EXCLUSIVE: Iran pulls missile from launchpad after apparent prep for launch, US officials say," *Fox News*, February 7, 2017. (<http://www.foxnews.com/world/2017/02/07/exclusive-iran-pulls-missile-from-launch-pad-after-apparent-prep-for-launch-u-s-officials-say.html>)

¹⁰³ See statements by Commander Hajizadeh in: "آقایان با یک تشر، موشک ماهواربر را به انبار بردند!" (With [the mention of] a single threat, the men took the satellite launch missile into storage)," *Kayhan* (Iran), March 10, 2017.

(<http://kayhan.ir/fa/news/99832/برند-انبار-را-به-انبار-برند>)

intelligence, security, and political cooperation between Washington and its allies, particularly as the JCPOA continues to be implemented. Using non-nuclear sanctions against the battery of threats posed by Iran also signals that Washington views Tehran as more than just a nuclear proliferation problem to be managed at a future date. It communicates that there is a larger strategy guiding Washington's Iran policy, which, at a bare minimum, involves defanging Iran.

There is significant space for Congress to play a role in this regard. The U.S. should sanction all entities owned or controlled by the IRGC or the supreme leader, both of which received a windfall in the aftermath of the nuclear deal.¹⁰⁴ Similarly, the U.S. needs to find creative ways to offset the comparative advantage Iran's IRGC-linked businesses have against the genuine, but increasingly marginalized, Iranian private sector. But most of all, the U.S. must increase the pressure on the Islamic Republic through punishment, coercion, and deterrence.

1. **Punishment** – By levying non-nuclear sanctions on Iran, Congress can punish Tehran's leaders for their illicit and destabilizing *past* behavior (July 2015 – present). Framing economic measures against Iran as punitive can help enforce the norms that the U.S. believes Iran has transgressed.
2. **Coercion** – Congressional sanctions can help course-correct the behavior of the entities by gradually increasing the costs of continuing to engage in the sanctionable behavior. Non-nuclear sanctions can therefore be instrumental in helping to stop *present* or *ongoing* activities.
3. **Deterrence** – Lastly, sanctioning Iran on non-nuclear grounds also has a deterrent or forestalling effect. The U.S. can deter *prospective* Iranian bad behavior by credibly demonstrating the costs of intransigence. It also signals to other U.S. adversaries that continuously violating norms comes with a cost, and the U.S. is not in the business of issuing empty threats.

While policymakers should appreciate the punishing and deterring impact sanctions can have on a target, the ideal impact non-nuclear sanctions should have is the coercive one. Namely, one where Iran ceases engaging in the behavior that the sanctions were levied to terminate.

In a recent report about American economic power, my colleague Eric Lorber explained the importance of matching sanctions relief to a change in conduct. The JCPOA provided a case study in what not to do. While the Obama administration obtained a nuclear deal, it did not obtain a change in Iranian illicit financial practices that would encourage private banks to reengage with Iran.¹⁰⁵ To preempt making this same mistake again, policymakers should consider the goals of

¹⁰⁴ Emanuele Ottolenghi, Saeed Ghasseminejad, Annie Fixler, and Amir Toumaj, "How the Nuclear Deal enriched Iran's Revolutionary Guard Corps," *Foundation for Defense of Democracies*, October 2016.

(http://www.defenddemocracy.org/content/uploads/documents/IRGC_Report.pdf); Yeganeh Torbati, Bozorgmehr Sharafedin, and Babak Dehghanpisheh, "After Iran's nuclear pact, state firms win most foreign deals," *Reuters*, January 19, 2017. (<http://www.reuters.com/article/us-iran-contracts-insight-idUSKBN15328S>)

¹⁰⁵ Eric Lorber, "Securing American Interests: A New Era of Economic Power," *Foundation for Defense of Democracies*, February 2017, pages 19-20.

(http://www.defenddemocracy.org/content/uploads/documents/CSIF_Securing_American_Interests.pdf)

statutory sanctions – namely, if they are coercive, punitive, or both – prior to levying them. This consideration can help policymakers design the most effective conduct-based sanctions.¹⁰⁶

Examples of Prospective Offenses that Can Be Addressed with Non-Nuclear Sanctions

While this testimony has outlined three major Iranian non-nuclear threat portfolios, each area presents unique challenges that policymakers should be prepared to counter. Below are four hypothetical scenarios based on Iran’s current capabilities Iran already has or behavior in which the regime has previously engaged or possibly could engage.” In all four cases, statutory measures can play a leading role by informing and developing U.S. policy aimed at altering Iranian behavior. In all scenarios, U.S. responses are deemed to be fully consistent with the letter and spirit of the JCPOA.

1. Iranian journalists who blog about ongoing corruption in Iran are targeted by vigilantes egged on by regime officials.

- a. *Why this is a threat:* Iran’s brutal crackdowns on its own people are an affront to U.S. values. But the U.S. also retains a strategic interest in siding with the Iranian people. Failing to stand up for those who risk their lives by engaging in investigative journalism only provides ammunition to Iran’s repressive apparatus. Journalists should be permitted to engage in investigative reporting, particularly to try to push their government to be more honest and accountable.
- b. *What Congress can do:* Congress can use the recently-passed Global Magnitsky Act to issue asset freezes and visa bans for the persons and entities involved in the crackdown.¹⁰⁷ Using the Global Magnitsky Act communicates a strong signal to the Iranian population that Congress is not afraid to use instruments of U.S. national security to stand up for the rights of the Iranian people. Similarly, should reporting on Iran’s corruption activities yield significant findings about the illicit foreign financial activities of Iran’s leaders, those leaders should also be targeted.

2. Iran publically (and successfully) tests a solid-fuel MRBM.

- a. *Why this is a threat:* Iran’s continued ballistic missiles launches violate the Annex of UNSCR 2231. Iran’s ballistic missile arsenal is already the Middle East’s

¹⁰⁶ Eric Lorber, “Securing American Interests: A New Era of Economic Power,” *Foundation for Defense of Democracies*, February 2017, page 16.

(http://www.defenddemocracy.org/content/uploads/documents/CSIF_Securing_American_Interests.pdf)

¹⁰⁷ Described in: Emanuele Ottolenghi, Saeed Ghasseminejad, Annie Fixler, and Amir Toumaj, “How the Nuclear Deal enriched Iran’s Revolutionary Guard Corps,” *Foundation for Defense of Democracies*, October 2016, page 32.

(http://www.defenddemocracy.org/content/uploads/documents/IRGC_Report.pdf); Samuel Rubinfeld, “U.S. Congress Passes Global Magnitsky Act Sanctions,” *The Wall Street Journal*, December 8, 2016.

(<http://blogs.wsj.com/riskandcompliance/2016/12/08/u-s-congress-passes-global-magnitsky-act-sanctions/>)

largest¹⁰⁸ and can reach ranges of up to 1,500 miles from Iranian territory.¹⁰⁹ Iran last tested a solid-fuel MRBM in 2011 called the Sejil-2. The two-stage Sejil-2 easily meets the Missile Technology Control Regime's (MTCR) payload/range metric of a "nuclear-capable" ballistic missile.¹¹⁰

- b. *What Congress can do:* Congress has a vast array of options on the ballistic missile front. First, pursuant to the FY2017 NDAA, it should request from the administration an immediate assessment of the launch to obtain analytical data about the test.¹¹¹ Next, it should request a report on A) the key sectors of the Iranian economy that support Iran's domestic research, production, testing, storage, maintenance, and transportation of ballistic missiles, and B) public or private Iranian entities that are active in their country's ballistic missile program. Congress can then issue sector-specific sanctions on select portions of the Iranian economy,¹¹² gradually raising the costs of missile testing.

3. A foreign financial institution which does business in the U.S. processes transactions on behalf of an IRGC-owned and/or -controlled company.

- a. *Why this is a threat:* Due to the nuclear deal, the IRGC, its affiliated companies, and its veteran-operated and -affiliated businesses are experiencing a financial windfall, even though sanctions on the IRGC remain in place. Designated entities cannot be permitted to use the formal financial system to engage in illicit activities like providing material support to terror. Such activities endanger the rules-based global financial system that the U.S. leads.
- b. *What Congress can do:* Congress can call upon the administration to designate Iran's IRGC pursuant to Executive Order 13224, which sanctions those who offer material support for, and/or engage in, terrorism.¹¹³ Additionally, Congress can also call for the establishment of an IRGC foreign financial institution "watch list,"¹¹⁴ a public list that the U.S. could share with partner foreign financial institutions that

¹⁰⁸ James R. Clapper, "Statement for the Record, Worldwide Threat Assessment of the US Intelligence Community," *Testimony before the Senate Armed Services Committee*, February 9, 2016.

(https://www.dni.gov/files/documents/SASC_Unclassified_2016_ATA_SFR_FINAL.pdf)

¹⁰⁹ Sejil," *Military Edge*, accessed March 29, 2017. (<http://militaryedge.org/armaments/sejil/>)

¹¹⁰ Kelsey Davenport, "The Missile Technology Control Regime at a Glance," *Arms Control Association*, August 2016. (<https://www.armscontrol.org/factsheets/mtr>)

¹¹¹ See relevant portion of FY2017 NDAA in: National Defense Authorization Act for Fiscal Year 2017, Pub. L. 114-328, 114 U.S.C. §1226, page 488-489. (<https://www.congress.gov/114/bills/s2943/BILLS-114s2943enr.pdf>)

¹¹² First recommended by: Saeed Ghasseminejad, "Iran's Ballistic Missile Program and Economic Sanctions," *Foundation for Defense of Democracies*, March 2016.

(http://www.defenddemocracy.org/content/uploads/documents/Ballistic_Missile_Sanctions.pdf)

¹¹³ U.S. Department of the Treasury, Office of Foreign Assets Control, "Terrorism: What You Need To Know About US Sanctions," accessed March 29, 2017. (<https://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf>)

¹¹⁴ Builds on the idea noted by Mark Dubowitz, in: Mark Dubowitz, "The Iran Nuclear Agreement: One Year Later," *Testimony before the Senate Committee on Foreign Relations*, July 14, 2016, page 37.

(http://www.defenddemocracy.org/content/uploads/documents/Dubowitz_One_Year_Later_Full.pdf)

have processed transactions for IRGC-owned/operated businesses during the JCPOA implementation-era.

4. An Iranian arms shipment to Yemen is intercepted.

- a. *Why this is a threat:* Although not technically a proxy of Tehran,¹¹⁵ Yemen's Houthi rebels receive weapons from Iran. Gulf Cooperation Council members and other U.S. partners have formed a maritime blockade and intercepted multiple Iranian arms shipments to the Houthi's via sea.¹¹⁶ In response, Iran has adapted to using land routes via Oman to traffic weapons.¹¹⁷ These weapons transfers help keep the Houthi insurgency raging and bleed Iran's Sunni Arab regional competitor, Saudi Arabia. Iran's shipment of arms to the Houthis also violates UNSCR 2231.¹¹⁸
- b. *What Congress can do:* Congress should request a full review of Iran's support for the Houthi rebels. In so doing, Congress can request information about persons and entities that produce weapons or facilitated their transfer and authorize sanctions against these persons. Congress can also inquire about the likely role the IRGC plays in these transfers, and again seek to have it designated pursuant to Executive Order 13224 as well as under Executive Order 13611, which blocks the "property of persons threatening the peace, security, or stability of Yemen."¹¹⁹

Recommendations

For policymakers to successfully combat Iran's non-nuclear threats, they must be cognizant that they are operating in a world where a nuclear deal is accentuating those threats. From the moment Iran agreed to the JCPOA in July 2015, it gambled that it would have enough leverage against the international community to continue its destabilizing activities relatively unencumbered. To counter this and prove Iran wrong, the U.S. must use coercive diplomacy underwritten by a whole-of-government approach.

The list below offers select policy options to that effect, some of which my FDD colleagues have previously suggested before Congress.

¹¹⁵ April Longley Alley and Joost Hilterman, "The Houthis are not Hezbollah," *Foreign Policy*, February 27, 2017. (<http://foreignpolicy.com/2017/02/27/the-houthis-are-not-hezbollah/>)

¹¹⁶ C.J. Chivers and Eric Schmitt, "Arms Seized Off Coast of Yemen Appear to Have Been Made in Iran," *The New York Times*, January 10, 2017. (https://www.nytimes.com/2017/01/10/world/middleeast/yemen-iran-weapons-houthis.html?_r=0); Courtney Kube, "U.S. Officials: Iran Supplying Weapons to Yemen's Houthi Rebels," *NBC News*, October 27, 2016. (<http://www.nbcnews.com/news/us-news/u-s-officials-iran-supplying-weapons-yemen-s-houthi-rebels-n674181>); William Maclean, "Weapons bound for Yemen seized on Iranian boat: coalition," *Reuters*, September 30, 2015. (<http://www.reuters.com/article/us-yemen-security-idUSKCN0RUOR220150930>)

¹¹⁷ Yara Bayoumy and Phil Stewart, "Exclusive: Iran steps up weapons supply to Yemen's Houthis via Oman – officials," *Reuters*, October 20, 2016. (<http://www.reuters.com/article/us-yemen-security-iran-idUSKCN12K0CX>)

¹¹⁸ See statements by former UN Secretary General in: United Nations Security Council, "Second report of the Secretary-General on the implementation of Security Council resolution 2231 (2015)," December 30, 2015. (http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2016/1136)

¹¹⁹ Executive Order 13611, Presidential Documents, 77 Federal Register 29533, May 18, 2012. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/yemen_eo.pdf)

1. **Target Iran's regional partners.** Despite not having any formal defense pacts or alliances, the Islamic Republic of Iran has spent blood and treasure to keep the Assad regime in place. The U.S. should work to weaken the Syrian regime, either forcing Iran to invest more in that theater to bleed it of resources, or force it to cease its support. Specifically, the U.S. should continue to maintain, enforce, and escalate sanctions on the Assad regime by drawing on existing authorities under the International Emergency Economic Powers Act (IEEPA), a useful tool in designing sanctions. The number of members of the Assad regime targeted for visa bans and asset freezes should also be increased. Lastly, Congress should sanction entities that provide things like jet fuel,¹²⁰ which enable the Syrian war machine.

2. **Designate the entire IRGC pursuant to Executive Order 13224.**¹²¹ In 2007, the Treasury Department designated the IRGC's Quds Force pursuant to Executive Order 13224 for supporting terror groups.¹²² While the U.S. reportedly entertained targeting the entire IRGC based on the same executive order,¹²³ it still has not yet taken this step. Presently, the IRGC is targeted under several executive orders for nuclear and missile proliferation and for human rights abuses.¹²⁴ In 2010, the U.S. Department of Defense noted, "Elements of Iran's Islamic Revolutionary Guard Corps (IRGC) have provided direct support to terrorist groups, assisting in the planning of terrorist acts or enhancing terrorist group capabilities."¹²⁵ Additional proof of the IRGC's involvement in terrorism and regional destabilization is provided by Iran's deployment of IRGC-Ground Forces (IRGC-GF) to die in Syria.¹²⁶ Designating the whole IRGC as a terrorist organization can signal that the U.S. remains committed to targeting the organization and defending the architecture of secondary sanctions already in place to combat Iran's non-nuclear threats.

¹²⁰ Note the case of smuggled jet fuel in: Guy Faulconbridge and Jonathan Saul, "Exclusive: Russian tankers defy EU ban to smuggle jet fuel to Syria – sources," *Reuters*, November 22, 2016. (<http://www.reuters.com/article/us-mideast-crisis-syria-fuel-exclusive-idUSKBN13H1T8>)

¹²¹ Emanuele Ottolenghi, "Time to designate Iran's Revolutionary Guards as terror group," *The Hill*, October 20, 2015. (<http://thehill.com/blogs/pundits-blog/defense/257399-time-to-designate-irans-revolutionary-guards-as-terror-group>)

¹²² U.S. Department of the Treasury, Press Release, "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

¹²³ Noted in: David Crist, *The Twilight War: The Secret History of America's Thirty-Year Conflict with Iran*, (New York: The Penguin Press: 2012).

¹²⁴ U.S. Department of the Treasury, Press Release, "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>); U.S. Department of the Treasury, Press Release, "Treasury Sanctions Iranian Security Forces for Human Rights Abuses," June 9, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1204.aspx>); U.S. Department of the Treasury, Press Release, "Fact Sheet: New Executive Order Targeting Human Rights Abuses Via Information Technology," April 23, 2012. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1547.aspx>)

¹²⁵ U.S. Department of Defense, "Unclassified Report on Military Power of Iran," April 2010, page 8. (https://fas.org/man/eprint/dod_iran_2010.pdf)

¹²⁶ Ali Alfoneh and Michael Eisenstadt, "Iranian Casualties in Syria and the Strategic Logic of Intervention," *The Washington Institute for Near East Policy*, March 11, 2016. (<http://www.washingtoninstitute.org/policy-analysis/view/iranian-casualties-in-syria-and-the-strategic-logic-of-intervention>)

3. **Call for an investigation into Iran’s activities in Yemen and the feasibility of designating the IRGC under Executive Order 13611.** Executive Order 13611 targets those who “threaten the peace the peace, security, or stability of Yemen.”¹²⁷ Numerous Iranian arms shipments to Yemen’s Houthi rebels have been intercepted by a U.S.-allied maritime coalition. These arms shipments undoubtedly endanger the security and stability of Yemen. Given the IRGC’s omnipresent role in Iranian security policy, Congress should call for an investigation into Iran’s support for the Houthis and the role of the IRGC or IRGC-linked entities in Iran in producing and transporting weapons for the Houthis.
4. **Require reporting on Iranian attempts to engage in proliferation finance and illicit procurement.**¹²⁸ According to a report from Germany’s domestic intelligence in 2016, Iran-linked entities the prior year engaged in “illegal proliferation-sensitive procurement activities ... at what is, even by international standards, a quantitatively high level.”¹²⁹ It is worth recalling that for the first half of 2015, Iran was finalizing the JCPOA nuclear deal with the P5+1. Congress should require a report from the intelligence community about Iran’s financing measures for this illicit procurement as well as a full review of post-deal attempts to engage in proliferation finance and illicit procurement.
5. **Develop an “IRGC Watch List.”**¹³⁰ Countries supportive of international non-proliferation efforts often retain “watch lists”¹³¹ of entities where there is reason to believe “their exports might potentially be of concern on end- use grounds.”¹³² These watch lists set a useful precedent. Congress could support efforts to enforce non-nuclear sanctions by requiring the U.S. government to develop a public list of entities suspected of having financial ties with any IRGC-owned/operated business or financial institution. This list will help the private sector better evaluate risk and avoid transactions with suspicious parties. The same should be done with respect to entities contributing to Iran’s missile program.
6. **Contest Iran’s narrative about all its non-nuclear threats and inhibit its financial legitimization campaign.**¹³³ Since the nuclear deal, Iran has been arguing that it deserves

¹²⁷ Executive Order 13611, Presidential Documents, 77 Federal Register 29533, May 18, 2012.

(https://www.treasury.gov/resource-center/sanctions/Programs/Documents/yemen_eo.pdf)

¹²⁸ An endeavor described in: Financial Action Task Force, “Proliferation Financing Report,” June 18, 2008.

([http://www.fatf-](http://www.fatf-gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf)

[gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf))

¹²⁹ German Federal Ministry of the Interior, “2015 Annual Report on the Protection of the Constitution Facts and Trends,” June 28, 2016, page 30. (<https://www.verfassungsschutz.de/embed/annual-report-2015-summary.pdf>)

¹³⁰ Mark Dubowitz, “The Iran Nuclear Agreement: One Year Later,” *Testimony before the Senate Committee on Foreign Relations*, July 14, 2016, page 37.

(http://www.defenddemocracy.org/content/uploads/documents/Dubowitz_One_Year_Later_Full.pdf)

¹³¹ In the case of the UK, their “Iran List” was the JCPOA’s latest victim. See: UK Department for International Trade, Export Control Organisation, “Notice to exporters 2017/08: Iran list removed from GOV.UK,” March 22, 2017. (<https://www.gov.uk/government/publications/notice-to-exporters-201708-iran-list-removed-from-govuk/notice-to-exporters-201708-iran-list-removed-from-govuk>)

¹³² UK Department for Business Innovation & Skills, Export Control Organisation, “Iran List: WMD End-Use Control: Licence Applications for Iran,” October 31, 2015. (<http://www.iranwatch.org/library/governments/united-kingdom/department-business-innovation-skills/iran-list>)

¹³³ Mark Dubowitz, “The Iran Nuclear Agreement: One Year Later,” *Testimony before the Senate Committee on Foreign Relations*, July 14, 2016, pages 33-35.

(http://www.defenddemocracy.org/content/uploads/documents/Dubowitz_One_Year_Later_Full.pdf)

to enjoy the full benefits of being a member of the international community in good standing, albeit without the requisite responsibilities. Until the U.S. sees a change in Iran's illicit conduct, it should not relent. Lawmakers and the administration should remind the international community of the importance of (as well as roadblocks to) doing sufficient due-diligence on Iranian entities and Iran's banking sector. Similarly, international bodies should be cautioned against lowering their standards on Iranian compliance issues just because the Islamic Republic negotiated a favorable nuclear deal.

7. **Use the Global Magnitsky Act to target corruption and stand up for human rights.**¹³⁴ The Global Magnitsky Act is now public law and can be used to protect American banks and businesses from financially corrupt entities in Iran and those who engage in systemic human rights abuses. The act enables the U.S. to engage in a high-profile “naming and shaming campaign” against those who have struck it rich through illicit means. The goal of this campaign would be to expose those actors for corruption and human rights abuses and to deter foreign financial institutions from doing business with them until their behavior changes.
8. **Call on the administration to provide reporting on Iran's ballistic missiles.**¹³⁵ For Congress to check Iran's growing arsenal of ballistic missiles, it needs as much information as possible on missile tests and the entities and persons who support these tests but have not yet been sanctioned. Congress should review how Iran's Ministry of Defense and Armed Forces Logistics (MODAFL) and IRGC affiliates continue to be active in the ballistic missile program, and if any foreign or Iranian entities have not been sanctioned for financial or material support to the missile program. Additionally, Congress should require reporting on Iranian attempts to illicitly procure missile technology and related material from abroad, be it through jurisdictions of weak central authority or businesses that to hide their real end user.
9. **Develop sector-specific sanctions on Iranian domestic industries active in the ballistic missile program.**¹³⁶ Much attention has been paid to export controls and proliferation finance as a way to retard the Iranian missile program from outside-in. But Iran is already fairly self-sufficient in the production of select missiles that can target U.S. military facilities in the region. Congress should develop a series of graduated sanctions that choke off critical nodes in the research, production, development, and transport sectors that work on Iran's ballistic missiles. These areas can be broadened to include industries like metallurgy and mining. Such sanctions complement the web of export controls already in place in the U.S. and many countries around the world.

¹³⁴ Emanuele Ottolenghi, Saeed Ghasseminejad, Annie Fixler, and Amir Toumaj, “How the Nuclear Deal enriched Iran's Revolutionary Guard Corps,” *Foundation for Defense of Democracies*, October 2016, page 32.

(http://www.defenddemocracy.org/content/uploads/documents/IRGC_Report.pdf)

¹³⁵ Mark Dubowitz, “The Iran Nuclear Agreement: One Year Later,” *Testimony before the Senate Committee on Foreign Relations*, July 14, 2016, page 35.

(http://www.defenddemocracy.org/content/uploads/documents/Dubowitz_One_Year_Later_Full.pdf)

¹³⁶ Saeed Ghasseminejad, “Iran's Ballistic Missile Program and Economic Sanctions,” *Foundation for Defense of Democracies*, March 2016.

(http://www.defenddemocracy.org/content/uploads/documents/Ballistic_Missile_Sanctions.pdf)

10. Support efforts to amend language in the Annex of UNSC Resolution 2231. UNSCR 2231 has arms export/transfer and missile test bans that expire in a little more than three to six years from now. To amend this, the U.S. should commit to unwinding conduct-based sanctions only after Iran's behavior has changed, not when a political agreement is at hand. Because the language on those prohibitions is in the UNSCR's Annex and technically not in the JCPOA, the U.S. can preempt criticism by calling for a resolution that builds on the concerns about Iranian arms transfers and missile tests. Congress should lend public support to such an initiative and call for the UN to extend those bans by two more years, and require not a single violation to be recorded in those two years. Otherwise, the ban will automatically renew until there is a period without incidents.

To defend longstanding American interests on issues of terrorism, regional stability, human rights, illicit finance, and ballistic missiles, the U.S. should both enforce and grow its arsenal of non-nuclear sanctions to contest Iran's non-nuclear threats. Such actions are consistent with past bipartisan statutory measures. They are also important in the JCPOA implementation-era as the accord cannot be permitted to be the sole document defining U.S. policy towards Iran.

I thank you very much for your time and attention today, as well as your kind invitation to testify. I look forward to answering your questions.