

**Iran Sanctions**  
*Strategy, Implementation and Enforcement*

**Oral Congressional Testimony**

**Hearing before the  
House Committee on Foreign Affairs**

Mark Dubowitz, Esq.  
Executive Director  
Foundation for Defense of Democracies

Washington, DC  
May 17, 2012

Chairman Ros-Lehtinen, Ranking Member Berman, and distinguished Members of the Committee, on behalf of FDD, thank you for the opportunity to testify.

The topic of my testimony is sanctions relief as the Obama administration prepares for the P5+1 talks in Baghdad.

Administration officials publicly and privately are making a tough case for relieving sanctions on Iran.

These officials have nevertheless made it clear that these talks are part of a process that will require confidence-building measures and reciprocal concessions.

To be meaningful to Tehran, concessions will have to come in the form of sanctions relief, which are threatening the regime's oil wealth, and perhaps even its survival, in ways not seen since the Iran-Iraq War.

Iran's Supreme Leader Ali Khamenei badly needs to relieve this economic pressure. He is seeking to buy his country enough hard currency from oil sales to withstand soaring inflation and a crumbling currency.

He also seeks to use the P5+1 negotiations to buy more time to reach breakout capacity, which would enable him to build a nuclear weapon within a few months.

Iran sees the negotiations as an opportunity to force the international community to accept its enrichment activities.

In the face of five UNSC resolutions, and a U.S. commitment to stop Iran from crossing previously established redlines, Iran has moved the goal posts.

Bushehr, Arak, Natanz, and Fordo are a testament to the success of this strategy.

Khamenei likely will continue this strategy of playing for time by dangling incremental nuclear concessions before the negotiators, such as the cessation of 20-percent uranium enrichment.

This concession will be portrayed as an important confidence-building measure, putting pressure on the administration and its partners for a similar gesture of goodwill in return.

As eager, however, as President Obama is for a deal, he cannot take the risk of offering too much relief for too few concessions.

Once sanctions start to unravel, the fear of U.S. penalties that held them together will become difficult to reestablish. The multilateral sanctions regime -- the centerpiece of the president's Iran strategy -- will be gone.

In order to make concessions to Iran, the president or our allies may be tempted to offer sanctions relief in the shadows.

In my written testimony, I detail some of the ways in which Iran could be offered sanctions relief without inviting public scrutiny. These are just a few examples of what should not be allowed.

Examples include:

- Reducing by even a few percentage points of what constitutes a “significant reduction” to the volume of petroleum purchased from Iran, as provided under section 1245 of the NDAA. Doing so would provide Iran the additional hard currency it is seeking.
- Allowing the 14 or so Iranian financial institutions currently using SWIFT to continue using the system to process billions of dollars in trade.
- Supporting Europe in relaxing the maritime insurance sanctions that are so effective in slowing down Iranian oil shipments.
- Looking the other way as Europe allows sanctions busting of its oil embargo.
- Keeping open financial channels that allow the Iranians to access the global financial system and repatriate its oil profits.
- Permitting sanctionable transactions to take place through barter trade that help Iran reverse the decline in its energy production.
- Delaying sanctions against critical elements of the Iranian oil supply chain that need to be blacklisted, including the IRGC-linked National Iranian Oil Company and NITC (the Iranian tanker company).
- Providing less rigorous enforcement of shipping sanctions that allow Iran to sell covertly more of its oil.

These are but a few of the ways in which the U.S. or our allies could provide sanctions relief in the shadows. President Obama must not allow this.

Instead, the recommended course is for the president to engage openly with the American people, Congress and with key allies like Israel during the negotiation process with Iran.

He should:

- green light the passage of the Senate sanctions bill before the Baghdad talks begin;

-support additional sanctions proposed by members of this committee, and by a member of the Senate Banking Committee, that are not in the current House or Senate bills on energy, insurance, Iranian oil-free zone, financial sanctions and human rights

(if time: these include: expanded insurance sanctions, IRGC commercial sanctions, an expanded energy embargo, an Iranian-oil-free zone, the designation of all Iranian banks, disclosure to Treasury of all transactions between international and Iranian banks, declaration of Iran as a zone of electronic repression, and the prohibition of technology and services to all Iranian financial institutions, amongst others);

-provide detailed reports to Congress on the type of sanctions relief being offered and on the nature of the Iranian concessions they are offering; and,

-use the considerable flexibility he already has under the national interest waiver in section 1245 of the NDAA to provide sanctions relief in the open.

But the President needs to be careful: Sanctions relief needs to be coordinated with the EU and an EU suspension of sanctions is not likely to be easily and quickly reversed.

Real sanctions relief should only be offered in response to meaningful Iranian concessions (*as outlined in UNSC resolutions and IAEA reports*):

- the complete suspension of Iran's enrichment activities;
- the removal of all enriched uranium;
- a full accounting of its nuclear weapons activities; and,
- an agreement to intrusive inspections as outlined in the Additional Protocol of the NPT.

Congress, and this committee in particular, has played a critical role in the development and implementation of sanctions.

Your next task is to ensure that sanctions relief, if it is to be provided at all, is only provided in the open, not in the shadows -- and only in exchange for meaningful, verifiable and irreversible Iranian nuclear concessions.

Thank you again for inviting me here today.