



## Iran's nuclear programme: an update

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Shortly after taking office, US President Obama gave negotiations with Iran over its nuclear programme one year to produce results, promising to push for a new set of United Nations sanctions if there was no progress. The E3+3 countries, France, Germany and the United Kingdom plus China, Russia and the United States reached agreement on a fourth round of sanctions in June 2010. This note looks at Iran's nuclear programme, the effects of UN, US and EU sanctions and possible alternative approaches to the problem.

- President Obama's policy of engagement with Iran was widely perceived to have achieved little directly.
- After the deadline for engagement expired, however, the administration's engagement policy may have been a factor in helping to gain support for the Security Council resolution of June 2010, which imposed tough sanctions on Iran.
- The UN sanctions were much broader than any previous measures, and both the EU and especially the US went further than the requirements of the UN. Both imposed further restrictions in 2011.
- The sanctions are having a noticeable effect on the Iranian economy but are not thought to be enough on their own to bring the Iranian government to abandon uranium enrichment.
- There are alternatives to sanctions, including military action, but none of these is without severe drawbacks.
- There have been many calls for a change of policy and some have suggested that Iran should be allowed to continue enriching uranium. It is difficult to see how a US administration could make this policy change without it being seen domestically and internationally as a climb-down.

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## 1 Nuclear programme time line

August-September 2005 – Tehran says it has resumed uranium enrichment at its Isfahan plant.<sup>1</sup>

January 2006 – Iran breaks IAEA seals at its Natanz nuclear research facility.

February 2006 – IAEA reports Iran to the UN Security Council over its nuclear activities.

April 2006 – Iran announces that it has succeeded in enriching uranium at Natanz to 3.5% of the fissile isotope: low-enriched uranium suitable for power stations

May 2007 – IAEA says that Iran could develop a nuclear weapon in three to eight years if it chooses to do so.

October 2007 – US announces important new sanctions against Iran.

May 2008 – IAEA says that Iran is still withholding information on its nuclear programme.

June 2008 – EU foreign policy chief Javier Solana presents an offer of trade benefits, which Tehran says it will look at, but will reject if it demands suspension of uranium enrichment.

July 2008 – Iran test-fires a new version of the Shahab-3, a long-range missile it says is capable of hitting targets in Israel.

August 2008 – Informal deadline set by western officials for Iran to respond to package of incentives in return for halt in nuclear activities passes without reply. Iran says it has successfully launched a test rocket capable of carrying a satellite into space.

September 2008 – UN Security Council passes unanimously a new resolution reaffirming demands that Iran stop enriching uranium, but imposes no new sanctions. The text was agreed after Russia said it would not support further sanctions.

September 2009 – the existence of a secret enrichment facility near the city of Qom is uncovered.

October 2009 – Five permanent UN Security Council members plus Germany offer Iran proposal to enrich its uranium abroad.

November 2009 – Iran announces its intention to construct a further 10 enrichment plants.

February 2010 – President Ahmadinejad announces that uranium enrichment to 20% would start. 20% enriched uranium is suitable for research reactors. Uranium needs to be enriched to about 90% to become suitable for weapons, but the later stages of enrichment are easier than the earlier stages.<sup>2</sup>

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<sup>1</sup> Timeline based largely on “Timeline: Iran, A chronology of key events”, *BBC News online*, 10 May 2011

<sup>2</sup> For information about the enrichment process, see World Nuclear Association, [Uranium enrichment](#)

18 February 2010 – The IAEA publishes a report which, for the first time, expressed fears that Iran’s ‘past or current undisclosed activities related to the development of a nuclear payload for a missile’.<sup>3</sup>

31 May 2010 – The IAEA reports that an electrochemical cell, used for removing impurities from uranium metal, was removed from a research laboratory before an inspection on 14 April.<sup>4</sup> Iranian officials deny the allegation.

16 June 2010 – Shortly before the announcement of new unilateral sanctions by the US Administration, Mahmoud Ahmadinejad announces that Iran plans to increase uranium enrichment and build four new atomic research facilities.<sup>5</sup>

August 2010 – Iran receives fuel for the Bushehr nuclear reactor from Russia. The reactor was due to begin supplying power to the national grid by the end of 2010. Also in August, Iran again announces plans to build 10 more uranium enrichment plants.

6 September 2011 – The IAEA publishes a new report showing that Iran had succeeded in enriching uranium to 20% and that it has increased its stocks of low-enriched uranium by 15% since the last report.<sup>6</sup> Enrichment from 3% (low-enriched uranium or LEU) to 20% is technically difficult.

21 January 2011 – International talks between the US, China, Britain, France, Germany and Russia and the one side and Iran on the other resume in Istanbul. Expectations of any breakthrough are low. The talks end with no progress, with the Iranian side reiterating its refusal to stop enrichment and refusing to meet the United States’ representative. There is no discussion of any further talks.<sup>7</sup>

25 February 2011 – IAEA issues a report which says that Iran is “not implementing a number of its obligations including [...] clarification of the remaining outstanding issues which give rise to concerns about possible military dimensions to its nuclear programme”.<sup>8</sup>

6 May 2011 – Given Iran’s failure to engage with the IAEA since 2008 on questions about uranium enrichment and the possible militarisation of the nuclear programme, the Director General writes to the Iranian government asking for clarification and access to a number of facilities, documentation and persons.<sup>9</sup>

24 May 2011 – The IAEA calls into question some recent activities that suggest that work on possible military applications of the nuclear programme might be under way:

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<sup>3</sup> International Atomic Energy Agency, *Implementation of the NPT safeguards agreement and relevant provisions of Security Council Resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran*, February 2010, p9, available at: [http://www.isis-online.org/uploads/isis-reports/documents/IAEA\\_Report\\_Iran\\_18Feb2010.pdf](http://www.isis-online.org/uploads/isis-reports/documents/IAEA_Report_Iran_18Feb2010.pdf)

<sup>4</sup> IAEA, *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran*, *Report by the Director General, 31 May 2010*, paragraph 28

<sup>5</sup> ‘US imposes new penalties on Iran forms and officials’, *New York Times*, 17 June 2010

<sup>6</sup> IAEA, *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran*, 6 September 2010

<sup>7</sup> ‘Tehran isn’t talking’, *Washington Post*, 25 January 2011

<sup>8</sup> IAEA, *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran*, Report by the Director General, 25 February 2011, p10

<sup>9</sup> IAEA, *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran*, Report of the Director General, 24 May 2011, p7

Based on the Agency's continued study of information which the Agency has acquired from many Member States and through its own efforts, the Agency remains concerned about the possible existence in Iran of past or current undisclosed nuclear related activities involving military related organizations, including activities related to the development of a nuclear payload for a missile. Since the last report of the Director General on 25 February 2011, the Agency has received further information related to such possible undisclosed nuclear related activities, which is currently being assessed by the Agency. As previously reported by the Director General, there are indications that certain of these activities may have continued beyond 2004.<sup>10</sup>

19 July 2011 – Iran announces the development a new uranium enrichment facility, with faster and more efficient centrifuges. The new facilities are thought to be located at the enrichment site at Natanz, although the Iranian Government has previously announced its intention to create a new secret facility near Qom. The move is interpreted as enabling Iran to make highly enriched uranium more quickly.

## 2 The state of Iran's nuclear programme

How long would it take for Iran to make a nuclear weapon? On 24 May 2009, the Chairman of the US Joint Chiefs of Staff, Admiral Mike Mullen, put the figure at one to three years. On 14 April 2010, however, General James Cartwright, the Vice-chairman of the Joint Chiefs of Staff, said at a Senate hearing that it would probably take Iran from three to five years to produce one. This assessment was not accepted by the Republican Senator John McCain, who said to General Cartwright, "Every report I've seen, it's a year to 18 months. That's why I'm somewhat astonished to hear you say it could be two to three to five years".<sup>11</sup>

Discrepancies over estimates of the time it would take Iran to develop a nuclear weapon may be due in part to different assumptions about the end point: with enough fissile material, which Iran could probably acquire quite soon, Iran could develop a crude bomb, but this would probably not be practical as a weapon.

Most attention is focussed on Iran's programme of uranium enrichment. Iran has produced tonnes of low-enriched uranium and announced in February 2010 that it had produced its first quantities of uranium enriched to 20%.<sup>12</sup> Enrichment from 3.5% to 20% is technically difficult and, once this stage is mastered, further enrichment to weapons grade is less complicated.

The IAEA is also concerned about Iranian activities whose end result could be the production of weapons grade plutonium. To produce a nuclear weapon this way would, however, take longer than to take the enriched uranium route.

A weapons programme needs to be 'survivable', that is, capable of being protected from enemy attack and there is speculation that Israel would attempt to destroy any facilities that Iran possesses, should they present a serious threat.

In July 2011, it was reported in the press that the Security Council had prepared a report on the state of Iran's programme but that the opposition of Russia and China had prevented its publication.<sup>13</sup> According to the story, the leaked report said that Iran is operating a wide

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<sup>10</sup> IAEA, *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran*, Report of the Director General, 24 May 2011, p7

<sup>11</sup> 'White House says Iran nuclear threat years away', *Financial Times*, 25 April 2010

<sup>12</sup> "Iran 'makes first batch of 20% enriched uranium', *BBC News Online*, 11 February 2010

<sup>13</sup> "Smuggler network aids Iran's drive for nuclear weapon", *Sunday Times*, 3 July 2011

ranging smuggling operation to circumvent the controls imposed by UN sanctions, in order to obtain items necessary for the nuclear and missile programmes, conventional arms and related material. One of the authors of the report was quoted as saying:

My understanding is that the Iranians have produced over four tonnes of low-enriched uranium, that's 3.5% uranium, and I think many member states would say that's more than enough to make one device. It's probably more than enough for two devices.<sup>14</sup>

The source said that further enrichment of the stockpile would be necessary, but that this would not be beyond Iranian capabilities. The author of the report went on:

My impression is that the member states who look at these sorts of issues say it would take a couple of years, perhaps, to put something together – if that's what the Iranians want to do.<sup>15</sup>

The report also reveals that Iran tested a nuclear-capable ballistic missile of indigenous design, the Sejil 2, whose range the report alleged extends far enough to target central Europe.

A US professor was quoted as saying: "The consensus is they are getting closer to it and it's a matter of a year or two."<sup>16</sup>

The IISS points out that a credible nuclear weapons capacity would require more than one warhead:

For a credible nuclear deterrent, one bomb would be insufficient. Given the need for a replacement in case of bomb failure, as well as the presumed requirement for a second-strike capability and possibly for a test, it would seem foolhardy for a nation to go for broke, with the international reaction this would entail, before it could manufacture at least a handful of weapons. Assembling such an arsenal would multiply both the amount of weapons-grade uranium that would be needed and the amount of time it would take Iran to reach the threshold capability.<sup>17</sup>

## 2.1 International Atomic Energy Agency

The IAEA has never declared Iran's nuclear programme to be intended for military purposes, and has stated that there is no evidence that any declared nuclear material has been diverted for military activities. Nevertheless, it has declared Iran to be in breach of its obligations under the Nuclear Non-Proliferation Treaty (NPT), as it has not cooperated with the IAEA in its efforts to get information about Iran's enrichment of uranium and to determine whether the Iranian programme has a military dimension. The Agency has not received cooperation from Iran on these matters since 2008 and, since then, Iran has announced several enhancements of its enrichment facilities. "As a result, the Agency's knowledge about Iran's enrichment activities continues to diminish."<sup>18</sup>

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<sup>14</sup> *Ibid.*

<sup>15</sup> "Smuggler network aids Iran's drive for nuclear weapon", *Sunday Times*, 3 July 2011

<sup>16</sup> "Smuggler network aids Iran's drive for nuclear weapon", *Sunday Times*, 3 July 2011

<sup>17</sup> *Iran's Nuclear, Chemical and Biological Capabilities – a net assessment*, [Executive Summary](#), IISS Strategic Dossier, February 2011

<sup>18</sup> IAEA, [Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran](#), Report of the Director General, 24 May 2011, p5

With the continued non-cooperation of Iran with the IAEA's request for access to information, there is pressure from US diplomats and others for the Agency to reach its own conclusions about the programme.<sup>19</sup>

## 2.2 Missiles

The difficulties of developing delivery vehicles for any nuclear weapon are an important constraint on a weapons programme, and Iran has concentrated on developing a ballistic missile programme. Since its early acquisition of Scud missiles in the 1980s, Iran has consistently improved and enlarged its ballistic missile arsenal. The IISS describes Iran's accomplishments in this area as "impressive".<sup>20</sup>

Armed conventionally, these missiles would not be particularly effective, because they are not very accurate. According to the IISS, the entire arsenal released at once would produce only a few hundred casualties and, in order to be sure of destroying one immobile military target, Iran would have to use most or all of its missiles.<sup>21</sup>

All of Iran's missiles are inherently capable of carrying nuclear warheads, however, as long as those warheads are small enough. Making a light nuclear warhead is particularly difficult. Iran's missiles, if armed with nuclear warheads, would be extremely effective, because of the vastly greater destructive force of nuclear weapons compared to conventional weapons.

At present Iran has missiles capable of reaching Israel, the Arabian Peninsula and even as far as Greece, and has made some progress on the technology necessary to produce an intercontinental ballistic missile (ICBM), which would be capable of reaching the United States.<sup>22</sup> However, the missiles would need some adaptation to be able to carry nuclear warheads. At present, the most effective missile in Iran's arsenal is the Sejil 2, although it has not finished its development stage. The missile should be capable of carrying a 1,500 kg payload for 1,500 km, or more according to the Iranians.

In June 2011, the British Government claimed that it had evidence that the Iranian government had tested missiles that were capable of carrying nuclear warheads. Foreign Secretary William Hague made a statement to the House of Commons criticising the tests and pledging to continue to increase pressure on Iran:

Iran continues to connive in the suppression of legitimate protest in Syria and to suppress protests at home. I therefore welcome the European Council's decision to sanction three senior commanders of the Islamic Revolutionary Guards Corps. Iran has also been carrying out covert ballistic missile tests and rocket launches, including testing missiles capable of delivering a nuclear payload in contravention of UN resolution 1929 and it has announced that it intends to triple its capacity to produce 20%-enriched uranium. These are enrichment levels far greater than is needed for peaceful nuclear energy. We will maintain and continue to increase pressure on Iran to negotiate an agreement on its nuclear programme, building on the strengthening of sanctions I announced to the House earlier this month.<sup>23</sup>

Recent exercises involved launching examples of most of the types of missile that Iran possesses. The Revolutionary Guards Corps was heavily involved in tests in June 2011, and

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<sup>19</sup> 'Pressure builds over Iran nuclear activities', *Financial Times*, 6 June 2011

<sup>20</sup> *Iran's Ballistic Missile Capabilities – a net assessment*, IISS Strategic Dossier, May 2010, p140

<sup>21</sup> *Iran's Ballistic Missile Capabilities – a net assessment*, IISS Strategic Dossier, May 2010, p139

<sup>22</sup> Lieutenant General Ronald L. Burgess, 'Iran's military power', Statement before the Committee on Armed Services, United States Senate 14 April 2010

<sup>23</sup> HC Deb 29 June 2011, [c957-61](#)



a brigadier general of the Corps was quoted as saying that the missiles were designed to be able to reach US assets in the region and Israel:

Iran's missiles have a maximum range of 2,000 km and are designed to reach US targets in the region and the Zionist regime. The Zionist regime is 1,200 km away from Iran and we are able to target this regime with our 2,000 km-range missiles from Semnan and Damghan (in central Iran).<sup>24</sup>

A second round of exercises was announced shortly afterwards, involving coast to sea missiles.<sup>25</sup>

### 2.3 Missile defence

US plans to site anti-ballistic missile systems in Poland from 2012 are, according to the US administration, a response to the growing potential threat they consider is posed by Iran. The proposed system, which is different from that which the George W Bush administration planned to deploy, has caused an increase in tensions between NATO and the Russian Government.<sup>26</sup>

The system planned to be deployed in spring of 2012 would consist of missiles based on US warships based in the Mediterranean. Three years later, the system would be augmented by land-based missiles based in Romania and Poland and a radar system based in Turkey. After that, the system would be enhanced to be able to intercept longer-range missiles that would put London within range, and the last phase would be an upgrade to be able to deal with inter-continental ballistic missiles.<sup>27</sup>

The phases of the deployment of the missile defence system might coincide with the expected progress of Iran's ballistic missile development programme. One expert, however, has argued that the comprehensive land-based defence system is unjustified. Michael Elleman of the International Institute for Strategic Studies said recently:

Iran isn't really a threat to the US or Western Europe. Rather to Turkey, Israel and US forces based in the region. Possibly also to the very south-eastern corner of Europe - Greece, Romania, Bulgaria.<sup>28</sup>

Elleman suggested that the warship-based interceptors were sufficient. He also downplayed Iran's conventional military capabilities and said that more damage could be done with suicide bombers than ballistic missiles.

## 3 Regional reaction

Iran and Saudi Arabia have always competed for influence in the Islamic world.<sup>29</sup> On opposite sides of the Persian Gulf (the Saudis insist that it should be called the Arabian Gulf), the two countries' political positions are often opposed. Saudi Arabia particularly fears Iranian influence over the kingdom's Shiite minority in its Eastern Province, which happens also to be the location of most of the oil reserves. The Sunni Arabs also blame the toppling of Saddam Hussein in Iraq for opening the Iranians' path towards regional hegemony. In June

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<sup>24</sup> "Iran tests missiles amid suspicion of nuclear goals", *Jane's Defence Weekly*, 30 June 2011

<sup>25</sup> "2nd phase of military exercises to kick off", *Islamic Republic News Agency (IRNA)*, 2 July 2011

<sup>26</sup> "Nato chief tries to allay Russian concerns over missile defence", *Financial Times*, 6 July 2011

<sup>27</sup> *Ibid.*

<sup>28</sup> "Iran more damaging with suicide bombers than missiles says expert", *EUobserver*, 15 July 2011

<sup>29</sup> For background on regional relations, see the Library Standard Note [Iran's relations with the Gulf States](#), January 2008

2010, it was reported that Saudi Arabia had agreed to provide a corridor in its airspace to allow Israeli warplanes to attack Iranian nuclear facilities.<sup>30</sup> Leaked US diplomatic cables revealed that many Arab countries had in private urged the US to attack Iran before it became too powerful.<sup>31</sup>

Another concern for the region is Iran's larger population and powerful conventional military capabilities. Iran has a population of some 75 million, while Saudi Arabians only number about 27 million.<sup>32</sup>

Saudi intervention to quell unrest in Bahrain in March 2011 was explained by Saudi Arabia and other Gulf States as necessary to prevent Iran from fomenting instability in the Sunni-led kingdom and the wider Arabian Peninsula. Iran's nuclear programme has particularly alarmed the country's neighbours and the tension between Iran and its Sunni Arab neighbours has increased in recent months.

A Saudi official was recently reported as saying that Saudi Arabia would not accept a nuclear-armed Iran without responding:

We cannot live in a situation where Iran has nuclear weapons and we don't. It's as simple as that. If Iran develops a nuclear weapon, that will be unacceptable to us and we will have to follow suit.<sup>33</sup>

It is not clear how the countries in the region that are in the middle of revolutions, such as Tunisia and, crucially, Egypt, will relate to Iran in the future. Under Hosni Mubarak's rule, Egypt told the United States that it might pursue a nuclear weapons programme if Iran obtained a bomb.<sup>34</sup> While Egypt is normalising relations with Iran, broken off in 1979, it is unlikely to be much more comfortable with a nuclear-armed Iran than Saudi Arabia would be.

The potential for a nuclear arms race in the region is increased by the fact that almost all the countries in the Middle East and North Africa have plans for developing civil nuclear power. The amount of nuclear material in the region is clearly on the rise.<sup>35</sup>

### 3.1 Israel

Israel views the prospect of a nuclear-armed Iran as an existential threat:

We are threatened by an extremist form of Islam, headed by Tehran, which sends out its tentacles in the form of Hamas and Hizbullah and other terrorist organizations, which undermine the very existence of the State of Israel and speak openly about their desire to destroy it. This is not just a threat against Israel, but against the entire world..<sup>36</sup>

In 1981, Israeli aircraft successfully destroyed Iraq's nuclear reactor at Osirak. Then in 2007, Israeli warplanes destroyed a group of buildings in northern Syria, which US officials later said had been an unfinished nuclear reactor based on a North Korean design, although the Syrians denied that the complex was connected with nuclear activities.

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<sup>30</sup> 'Saudi bomb run for Israel', *Times*, 12 June 2010

<sup>31</sup> "Crossing nuclear threshold could spark conflict in tinderbox region", *Times*, 28 December 2010

<sup>32</sup> For more information about Iran's conventional forces, see the Library Standard note [Iran: Conventional Military Capabilities](#), of September 2009

<sup>33</sup> "Revealed: Saudi's secret nuclear warning to Nato on Iran", *Guardian*, 30 June 2011

<sup>34</sup> "Egypt says may seek atomic arms if Iran does: WikiLeaks cables" *Reuters*, 2 December 2011

<sup>35</sup> A useful report on Middle east and North Africa civil nuclear power programmes is available from Freshfields [here](#)

The possibility of a pre-emptive military strike by Israel against Iran's nuclear sites has been much discussed, and it is reported that the Israeli Government went as far as to seek clearance for an attack from the Administration of George W Bush in spring 2008.<sup>37</sup> According to the reports, the US Administration refused such clearance because they assessed that the likelihood of the strike being ineffective was too high and because they feared Iranian retaliation. The Obama Administration is unlikely to be any more enthusiastic about an Israeli military strike than its predecessor.

Israeli Prime Minister Binyamin Netanyahu is reported to have wanted to attack Iran in the summer of 2010, saying that the moment had arrived. According to the reports, both he and defence minister Ehud Barak were confident that an Israeli attack would be effective in destroying Iran's nuclear programme. The heads of the Israeli army and of the internal and external security services, however, are said to have blocked the move.<sup>38</sup>

The Stuxnet computer worm, deployed in autumn 2010 and probably aimed at the Iranian nuclear programme, is alleged to have been developed with Israel's cooperation and is thought to have delayed uranium enrichment activities for a period. It is also thought to have alleviated for a time Israeli pressure for a military strike against Iran.

Whether the pressure is again mounting as Iran progresses with its enrichment programme is debatable. P J Crowley, a former US State Department spokesman, is reported to have said recently that Israel is unlikely to attack in the near future because the costs still outweigh the benefits. He also argued that the Arab uprisings have introduced an element of uncertainty that also makes an Israeli attack less likely for now.<sup>39</sup>

Others are not so sure. Meir Dagan, the former head of the Israeli external intelligence service Mossad broke with tradition to speak out against any attack by Israel. He said that an attack against Iran would be "stupid" and would trigger a regional war, "and in that case you would have given Iran the best possible reason to continue the nuclear programme."<sup>40</sup> He is not the only retired Israeli security official thought to be hostile to the present Israeli Government's policies. Analysts said that Meir Dagan's decision to speak could have been motivated by a fear that Binyamin Netanyahu may launch an attack in autumn 2011 to distract attention from the Palestinians' proposal to seek a resolution supporting Palestinian statehood at the United Nations General Assembly.

Israel has spent considerable energy preparing for the eventuality of a military confrontation with Iran, including introducing widespread defence drills and building bunkers for top officials.<sup>41</sup>

## 4 US policy of engagement

In the run-up to the 2008 presidential election, the Obama campaign proposed a policy of engagement with Iran. The campaign offered:

tough, direct presidential diplomacy with Iran without preconditions. Now is the time to pressure Iran directly to change their troubling behavior. Obama would offer the Iranian

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<sup>36</sup> Israel Ministry of Foreign Affairs website, [Israeli Prime Minister Benjamin Netanyahu, 17 Feb 2010](#)

<sup>37</sup> "Israel asked US for green light to bomb nuclear sites in Iran", *Guardian*, 25 September 2008

<sup>38</sup> "Army defied Netanyahu's call for raid on Iran", *Sunday Times*, 12 June 2011

<sup>39</sup> "Former State Department spokesman: Israel will not attack Iran anytime soon", *Haaretz*, 18 July 2011

<sup>40</sup> "Don't think about September", *Economist*, 11 June 2011

<sup>41</sup> "Israel leaders test bunker", *Daily Telegraph*, 23 June 2011

regime a choice. If Iran abandons its nuclear program and support for terrorism, we will offer incentives like membership in the World Trade Organization, economic investments, and a move toward normal diplomatic relations. If Iran continues its troubling behavior, we will step up our economic pressure and political isolation. Seeking this kind of comprehensive settlement with Iran is our best way to make progress.<sup>42</sup>

Iran was given until 31 December 2009 to respond positively.

There are potential intangible benefits of diplomacy, including making it more difficult for the Iranian government to play the 'Great Satan' card domestically and thereby bolstering the opposition in Iran; and strengthening the US negotiating position in relation to Russia and China in Security Council negotiations. These benefits are difficult to measure, but many analysts suggest that the Obama policy may indeed have encouraged the Green Movement in Iran and made Russia and China more amenable to imposing further sanctions.

The policy of diplomacy yielded few tangible results.<sup>43</sup> The November 2009 International Atomic Energy Agency resolution condemning Iran contributed to the impression that the year of diplomacy was ending without success,<sup>44</sup> and the consensus in both the US and European intelligence circles developed that Iran is indeed working on the design of a nuclear weapon.<sup>45</sup> With the failure of diplomacy, US policy reverted to one of applying diplomatic and economic pressure and attention turned to the possible imposition of a further round of sanctions in June 2010.

## 5 Policies of the other E3+3 countries

The E3+3 (also known as the P5+1) countries are France, Germany and the United Kingdom plus China, Russia and the United States. The E3 used to lead negotiations with Iran until the other three joined them in 2006.

China has always been the most reluctant of the Security Council permanent members to impose sanctions. Although China is concerned about the possibility of Iran gaining a nuclear weapon, it has not seen that as a direct threat to China, and its policy was therefore that more time should be left for diplomacy. China is accused by some of being more concerned about its commercial interests, and particularly Chinese energy security,<sup>46</sup> than about controlling Iran's nuclear programme; China imports about 15% of its oil from Iran.

Like the Chinese, Russian officials maintained for some time that there was still potential for progress in the talks. Nevertheless, Russia is concerned about the nuclear programme and has been more positive about sanctions than China. According to reports, US officials think that Russian President Dmitry Medvedev was irritated at the way Tehran frustrated recent Russian attempts to broker a deal on uranium enrichment.<sup>47</sup> The Russian deputy foreign minister met the Iranian ambassador to Moscow on 18 January 2010. Russia may have distanced itself from Iran but that does not mean that it now supports every US position.

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<sup>42</sup> Barack Obama website, Organizing for America, [Foreign policy](#) [18 January 2009]

<sup>43</sup> For a detailed account of developments in Iran's nuclear programme in 2009, see the House of Commons Library Research Paper 09/92, [The Islamic Republic of Iran: an introduction](#), 11 December 2009

<sup>44</sup> IAEA, [Resolution adopted by the Board of Governors on 27 November 2009](#), 27 November 2009

<sup>45</sup> 'US believes Iran still designing nuclear weapon, report says', *Guardian*, 4 January 2010

<sup>46</sup> See for example, 'Chinese Whispers; International diplomacy to curb Iran's nuclear ambitions is being thwarted by Beijing's inaction and obstructionism', *Times*, 18 January 2009

<sup>47</sup> 'Atomic agitation', *Financial Times*, 6 January 2010

British involvement with the negotiations over Iran has been in partnership with France and Germany from the start, with the USA, Russia and China joining negotiations later. Policy is formulated jointly. The Foreign Secretary William Hague set out the British Government's position during the debate on the Queen's Speech on 26 May 2010:

The single biggest foreign policy priority after Afghanistan and Pakistan is to prevent nuclear proliferation in the Middle East. Iran's acquisition of a nuclear weapons capability could unleash a cascade of nuclear proliferation and significantly destabilise the region. A comprehensive diplomatic offer to Iran remains on the table, but it has refused to discuss its nuclear programme and has forged ahead, announcing its intention to build 10 new enrichment plants and beginning to enrich uranium up to 20%, well above the level needed for the production of civil nuclear power.<sup>48</sup>

The British Government has not altered its predecessor's 'twin track' approach of offering negotiations while using sanctions if there is no progress.

Iran-UK relations worsened over the course of the 2010, with Britain being blamed by Tehran for orchestrating the demonstrations against the regime after the disputed presidential election in 2009, and for various bomb attacks inside Iran. In September, the Iranian authorities transferred their London ambassador to China and did not announce a replacement. In July 2011, there was still no one in post and business was being handled by the Chargé d'Affaires. Some in diplomatic circles interpreted this as a desire to gradually downgrade diplomatic relations with the UK.<sup>49</sup>

## 6 Brazil and Turkey

In spring 2010 it became known to the permanent members of the Security Council that Brazil and Turkey had been attempting to reach a deal on the transfer from Iran of enriched uranium. The permanent five members of the Security Council discouraged it. President Medvedev of Russia had reportedly given President Lula a 30% chance of success,<sup>50</sup> and Hillary Clinton is said to have telephoned the Turkish Foreign Minister Ahmet Davutoglu to warn him that the deal would not lead Iran to abandon enrichment, as required by previous Security Council Resolutions.<sup>51</sup>

On 17 May, Brazil and Turkey announced an agreement to ship some of Iran's low-enriched uranium to Turkey.<sup>52</sup> Under the deal, Iran would exchange 1,200 kg of its stockpile of low enriched uranium for 120 kg of more highly-enriched fuel for the Tehran Research Reactor, which has nearly run out of fuel.<sup>53</sup> It was a very similar deal to that proposed between Iran and France, Russia and the United States in October 2009, but Brazil and Turkey extracted some concessions from Iran, notably ending the insistence that the fuel swap would have to take place on Iranian territory.

The deal would not have meant that Iran would stop enriching uranium, or enter into wider negotiations on the nuclear programme. Announcing the proposal, Turkish Prime Minister

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<sup>48</sup> HC Deb 26 May 2010, c179

<sup>49</sup> "Iran leaves ambassador post free in snub to UK", *Guardian*, 17 September 2010

<sup>50</sup> 'Russia says Lula has 30 percent chance of success in Iran', *Reuters*, 14 May 2010

<sup>51</sup> 'Lula visit may be last shot on Iran engagement: U.S.', *Reuters*, 13 May 2010

<sup>52</sup> Full text of the joint Iranian/Brazilian/Turkish declaration available on *BBC News Online* at: [http://news.bbc.co.uk/1/hi/world/middle\\_east/8686728.stm](http://news.bbc.co.uk/1/hi/world/middle_east/8686728.stm)

<sup>53</sup> According to the [IAEA Director General's report released in February 2010](#), Iran has accumulated an estimated 2065 kilograms of low enriched uranium.

Tayyip Erdogan said, "My expectation is that after this declaration there will not be a need for sanctions."<sup>54</sup>

One of the advantages of the October 2009 proposal was that, until it fell through, it served as a confidence-building measure, as Iran negotiated directly with permanent members of the Security Council. The May 2010 proposal clearly did not have that advantage.

Another criticism of the proposal was that the October 2009 deal would have deprived Iran of enough low-enriched uranium to make a bomb, and would have directly postponed the putative date by which Iran could develop a nuclear weapon. In the intervening months, Iran had enriched more uranium and would have retained enough, despite transferring 1,200 kg of it, to make a weapon. Clearly, however, given the pace of the Iranian enrichment process, the 2009 deal would only have resulted in a delay of a few months.

In the event, the US and the other permanent members of the Security Council did not welcome the proposal, suggesting that, with a new round of UN sanctions imminent, it was another delaying tactic on the part of Iran. Experts thought that this would be a political victory for Iran, and would set back Security Council negotiations on sanctions.

Some analysts argued that the E3+3 should have received the Brazil/Turkey proposal more positively, while they could still have held the enhanced sanctions Resolution in reserve:

The United States was right to continue to push for sanctions after the deal was announced with Brazil and Turkey, but they framed the criticism incorrectly. The sanctions were presented publicly in a way that was harsh and punitive. Washington should have said that while it continues to seek ways to cooperate with Iran on its peaceful nuclear activities, it will seek further sanctions if Iran does not comply with its obligations.<sup>55</sup>

Others pointed out that the political situation in the United States, where both the House and the Senate had prepared extensive sanctions bills and mid-term elections were due in November 2010, made it difficult for the Administration to compromise.

It is also possible that the permanent members of the Security Council did not want their prestige to be diminished by allowing a successful initiative by 'lesser' powers, and this may have been a factor in producing agreement between the permanent five to support the sanctions resolution.

## 7 New UN sanctions agreed

On 9 June 2010, the UN Security Council passed Resolution 1929 imposing a fourth round of sanctions on Iran.<sup>56</sup> All the permanent members of the Security Council and most of the temporary members voted in favour of the measures. Brazil and Turkey voted against and Lebanon abstained.

The Resolution decided that:

- Iran shall not acquire an interest in any commercial activity in another state involving uranium mining, production or use of nuclear materials and technology.

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<sup>54</sup> 'US outflanked in bid to bring new sanctions against Iran', *Independent*, 18 May 2010

<sup>55</sup> George Perkovich, "[Sanctions on Iran—The Least Bad Option Q and A](#)", Carnegie Endowment for World Peace, 28 June 2010

<sup>56</sup> UN [Security Council Resolution 1929](#), 9 June 2010

- All states shall prevent the supply, sale or transfer to Iran of battle tanks, armoured combat vehicles, large calibre artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems.
- States will take all necessary measures to prevent the transfer to Iran of technology or technical assistance related to ballistic missiles capable of delivering nuclear weapons.
- Steps will be taken to block Iran's use of the international financial system, particularly its banks when they may be used to fund proliferation and nuclear activities.<sup>57</sup>

The Resolution also established a UN panel of experts to help monitor and enforce sanctions implementation. The Security Council hoped that the panel will help states counter the evasive action taken by Iran.

At least 15 of the companies and groups named in the new sanctions list were linked to the Iranian Revolutionary Guard Corps. Most of the remainder were associated with the nuclear and ballistic missile programmes, which are directly controlled by the Revolutionary Guards.

In exchange for the agreement of Russia and China to vote in favour of the Resolution, the US and its allies are reported to have made concessions on the severity of the sanctions. Russia and China are reported to have fought bitterly against stronger sanctions against the energy sector (an embargo on selling refined petroleum products to Iran would have increased the impact of the measures enormously), and a full arms embargo.<sup>58</sup>

Although the Resolution imposes an embargo on the supply of missiles or missile systems to Iran, it has been criticised for not banning certain types of weapon. Initially, Russian sources said that the resolution would not prevent Russia from supplying the S-300 air defence missile system. In September 2010, however, Russia confirmed that it would not supply the system to Iran.<sup>59</sup>

E3+3 foreign ministers asked the EU's High Representative for Foreign Affairs and Security Policy, Baroness Ashton, to pursue negotiations with Iran at the earliest opportunity. President Obama said that "these sanctions do not close the door on diplomacy".

## 7.1 Iran's reaction

Responding to the announcement, Iran's Ambassador to the United Nations, Mohammad Khazai, said that the US and its allies would 'never be able to break our determination',<sup>60</sup> and Iranian President Mahmoud Ahmadinejad dismissed the effectiveness of sanctions, describing them as being like "annoying flies" and suggesting that they might even accelerate Iran's economic development.<sup>61</sup> Alaeddin Boroujerdi, the head of the National Security and Foreign Policy Committee of the Iranian Parliament, suggested that the parliament would review Iran's relationship with the IAEA.<sup>62</sup> Iran might ban IAEA inspectors from the country. Another parliamentarian has suggested quitting the Non-Proliferation Treaty altogether.

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<sup>57</sup> United Nations, 'Citing Iran's failure to clarify nuclear ambitions, UN imposes additional sanctions', Press release, 9 June 2010

<sup>58</sup> 'Fresh sanctions loom, but Iran's regime remains firmly entrenched', *Gulf States Newsletter*, 18 June 2010

<sup>59</sup> "Russia bows to pressure and calls off delivery of missiles to Iran", *Guardian*, 23 September 2010

<sup>60</sup> 'U.N. sanctions against Iran provoke a divided response', *Washington Post*, 10 June 2010

<sup>61</sup> 'UN approves new sanctions to deter Iran', *New York Times*, 10 June 2010

<sup>62</sup> 'Iran Revolutionary Guard elusive sanctions target', *Associated Press*, 10 June 2010

On 21 June 2010, Iran announced that it was barring two IAEA inspectors from the country, accusing them of making a 'false report' about Iran's nuclear facilities. AN IAEA report<sup>63</sup> of 31 May had alleged that equipment had been removed from a research facility: equipment that was related to the previous report's expression of fears that activities might be related to nuclear weapons. This was not the first time that Iran had barred inspectors. The IAEA responded that it "has full confidence in the professionalism and impartiality of the inspectors concerned," and confirmed that its report of 31 May 2010 was "fully accurate."<sup>64</sup>

However, on 28 June 2010, President Ahmadinejad said that Iran was still open to discussions about a possible nuclear fuel swap, along the lines of the proposed Brazilian/Turkish deal, but that any such talks would not happen until August, as a 'punishment' for the imposition of further sanctions.<sup>65</sup>

## 8 US sanctions

US sanctions against Iran go much further than UN sanctions. A wide-ranging trade ban has been in place for a long time.

An import embargo was imposed on Iranian-origin goods on 29 October 1987 by Executive Order 12613. The embargo was enacted as part of the US Code of Federal Regulations, as the Iranian Transactions Regulations (ITR).

Executive Order 12957 of March 1995 prohibited US involvement with petroleum development in Iran. Executive Order 12959, of May 1995 tightened these sanctions. On 19 August 1997, Executive Order 13059 clarified Executive Orders 12957 and 12959 and confirmed that virtually all trade and investment activities with Iran by US persons, wherever located, are prohibited.

In 2000, the sanctions were eased to allow trade in carpets, and foodstuffs such as pistachio nuts and caviar.

Financial transactions were further tightened in 2008, to end the authorisation for Iranian-related transactions that begin and end with non-Iranian financial institutions.<sup>66</sup>

In December 2009, the *Iran Refined Petroleum Sanctions Act* was approved in draft by the US House of Representatives. This bill would empower the US Administration to prohibit foreign companies that supply Iran with refined petroleum from doing business in America but it has been controversial, partly because it is extra-territorial and would target foreign companies and could undermine international unity, partly because its effect would be to cause hardship to ordinary Iranians.

Allies, especially the EU, expressed concern about the draft. EU High Representative for Foreign Affairs and Security Policy Catherine Ashton wrote to US Secretary of State Hillary Clinton highlighting an agreement between the US and the EU to the effect that then US Administration would not to sanction European companies under the *Iran Sanctions Act* (1996) if the EU enhanced its cooperation on actions against Iran's nuclear programme. In

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<sup>63</sup> IAEA, Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran, [Report by the Director General, 31 May 2010](#), paragraph 28

<sup>64</sup> 'UN enhances Iran sanctions', *Arms Control Today*, July/August 2010

<sup>65</sup> 'Iranian fuel swap still up for discussion', *Arms Control Today*, July/August 2010

<sup>66</sup> Further explanation of the US sanctions regime is available: US Treasury Department, [An overview of O.F.A.C. Regulations involving Sanctions against Iran](#), 2009



the letter, Baroness Ashton said that the EU was worried about the extraterritorial nature of the law which would be contrary to the EU-US understanding of 1998.

The Administration remained cautious about alienating its allies and did not support the bill in its initial form, and the bill is not currently before Congress.

## 8.1 US sanctions 2010

On 16 June 2010, after the agreement of the fourth round of UN sanctions, the US Administration announced the strongest set of unilateral sanctions since President Obama came to power. The measures targeted the Post Bank of Iran, the Revolutionary Guards and companies linked to Iran's shipping lines, and were closely related to the UN sanctions, while going much further than was formally required.

The *Comprehensive Iran Sanctions, Accountability and Divestment Act* of 2010 was signed into law by President Obama on 1 July.<sup>67</sup> The legislation imposed penalties on international companies that supply Iran with refined oil products, and on banks that do business with the designated Iranian institutions. International companies that break the rules could have their assets in the US frozen, be barred from doing business with US banks, and be denied US government contracts. President Obama said:

With these sanctions -- along with others -- we are striking at the heart of the Iranian government's ability to fund and develop its nuclear programs. We are showing the Iranian government that its actions have consequences.<sup>68</sup>

As well as any practical effect the measures might have in slowing the development of the Iranian nuclear programme, the US Administration hoped that their latest measures would firstly encourage other countries, particularly the EU, to go further than the demands of Resolution 1929 and, secondly, act as a deterrent to non-US companies which might want to do business with individuals and groups named in the sanctions.

In August 2010, the US announced a further round of unilateral sanctions on Iran, targeting Iranian groups and individuals that, according to the US, support Hamas, Hizbollah and the Taliban. There were also press reports that a new round of personal sanctions targeted at regime hard liners was being prepared both in Washington and in Brussels.<sup>69</sup> This is seen as an attempt to act against repression rather than the nuclear programme. The moves were partly attributed to the international outcry over the sentencing of Sakineh Ashtiani to death by stoning for adultery, and had been called for by some Iranian activists.

Since the August 2010 announcement, the administration has continued to increase the pressure on Iran. In June 2011, the US government imposed sanctions against Iran's main commercial airline, Iran Air, and an important port operator, Tidewater Middle East Company.<sup>70</sup>

Some US states have taken their own action in relation to Iran. California, for example, has recently enacted a law which prohibits companies with investments in Iran from bidding for contracts with the state.

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<sup>67</sup> H.R.2194 -- *Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010* (Enrolled Bill [Final as Passed Both House and Senate] - ENR)

<sup>68</sup> 'Obama says new U.S. sanctions on Iran toughest ever', *Reuters*, 2 July 2010

<sup>69</sup> "Officials face sanctions over Iran repression", *Times*, 1 October 2010

<sup>70</sup> "U.S. sanctions Iranian port operator, airline", *Reuters*, 23 June 2011

## 9 EU sanctions 2010

UN sanctions against Iran are largely implemented in the European Union through EU law rather than by national legislation from the member states. Like the US, however, the EU went further than the latest Security Council resolution demanded.

France pushed for EU-specific sanctions, and the agreement of Germany was essential in agreeing to move ahead with the action, as Germany is Iran's biggest EU trading partner. Other countries were less enthusiastic including Sweden, which does not consider sanctions an effective policy, and Spain and Cyprus which were also said to have reservations.<sup>71</sup>

On 26 July 2010, the new EU measures were announced. They consisted of:

- restrictions in the energy sector, including the prohibition of investment, technical assistance and transfers of technologies, equipment and service
- restrictions in the financial sector, including additional asset freezes against banks and restrictions on banking and insurance
- trade restrictions, including a broad-ranging ban on dual use goods and trade insurance
- restrictions on the Iranian transport sector in particular the Islamic Republic of Iran Shipping Line (IRISL) and its subsidiaries and air cargo
- new visa bans and asset freezes, especially on the Islamic Revolutionary Guard Corps (IRGC)<sup>72</sup>

On the day before the EU announcement, Iran signalled its readiness, though Turkey, to enter talks with Baroness Ashton, representative of the E3+3 countries. Critics said that Iran has offered to enter negotiations before, without any such talks taking place.

An EU diplomat was quoted as saying:

"The sanctions are very precisely targeted. A lot of these services such as insurance, banking or sophisticated energy technology are not available from other trading partners."<sup>73</sup>

The EU and the UK have also further strengthened the sanctions regime in 2011. Foreign Secretary William Hague said that it was partly British arguments that had persuaded the EU to increase the scope of sanctions in June 2011, with over 100 new designations of individuals and entities added to the EU sanctions list.<sup>74</sup> Included in the entities designated was the German-based bank the European Iranian Trade Bank (EITB), which had already been designated by the US authorities.<sup>75</sup>

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<sup>71</sup> 'New EU sanctions against Iran target energy sector', *Guardian*, 16 June 2010

<sup>72</sup> [European Scrutiny Committee Second Report](#), Documents considered by the Committee 15 September 2010: Restrictive measures against Iran, HC428-ii, 24 September 2010

<sup>73</sup> "Europe adopts 'unprecedented' Iran sanctions", *Financial Times*, 27 July 2010

<sup>74</sup> Council of the European Union, "[EU strengthens restrictive measures against Iran](#)", Press release, 23 May 2011

<sup>75</sup> EU significantly extends sanctions against Iran", *Reuters*, 23 May 2011

## 10 How effective is the sanctions regime?

There were signs in the months following the passage of UNSCR 1929 in June 2010 that sanctions were beginning to damage the Iranian economy, increasing inflation and destabilising the currency, which fell 15% against the US Dollar over a short period in autumn 2010.<sup>76</sup> Financial transactions of all sorts became more difficult. This disruption came at a difficult time, when the Iranian Government was grappling with weak growth and high unemployment and trying to reform its subsidies regime and reduce its deficit, potentially risking public unrest. According to a US Treasury official in October 2010,

We are already receiving reports that the regime is quite worried about the impact of these measures, especially on their banking system and on the prospects for economic growth. And, as pressure increases, so has internal criticism of Ahmadinejad and others for failing to prepare adequately for international sanctions and for underestimating their effect.<sup>77</sup>

Perhaps the most damaging to Iran of the punitive measures so far imposed is the **arms embargo**. This was significantly tightened in the latest round of sanctions. Security Council Resolution 1929 bans the transfer of heavy weapons, their spare parts, and related training and maintenance assistance to Iran, whereas states had previously only been called on to “exercise vigilance and restraint” in such transfers.<sup>78</sup>

Much of Iran’s military capability has been underpinned, since the breaking of diplomatic relations with the US in 1979, by Russian and Chinese equipment. Anti-ship missiles and submarines are of particular concern to Western strategists because they enhance Iran’s ability to block the Straits of Hormuz and thus stop the flow of oil from the Persian Gulf. The fact that China and Russia have moved to ban both the supply of such weaponry and training and maintenance services for them is a major blow to Iran’s medium-term military capability and to its broader foreign policy.<sup>79</sup>

The unilateral US sanctions are credited with persuading **oil companies** to stop supplies of refined petroleum products to Iran. Total, Royal Dutch Shell, BP and all the big oil trading companies, including Vitol, Glencore and Trafigura, have decided to stop supplying Iran.<sup>80</sup> The Spanish oil company Repsol has pulled out of a contract to develop the large Iranian gas field called South Pars, in the Persian Gulf. However, this does not mean that Iran will have difficulty obtaining new supplies, as smaller companies, many based in Dubai or China, have moved to fill the gap left by the multinationals. The new supply contracts are likely to be more expensive, however. Iran has drawn up plans to reduce demand for petrol, partly by phasing out generous government subsidies.

On 2 July 2010 it was announced that Lloyds of London would no longer underwrite **insurance** cover for ships carrying petroleum to Iran. A few days later, BP announced that it would cease supplying **jet fuel** to Iranian aircraft.<sup>81</sup>

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<sup>76</sup> “Sanctions begin to bite”, *Economist*, 7 October 2010

<sup>77</sup> “After currency crash, more worries for Iranian economy”, *Washington Post*, 6 October 2010

<sup>78</sup> ‘[Security Council toughens sanctions against Iran, adds arms embargo, with unanimous adoption of Resolution 1747 \(2007\)](#)’, Security Council press release SC/8980, 24 March 2007

<sup>79</sup> Arms Control Association, *The UN Sanctions’ Impact on Iran’s Military*, Issue brief Volume 1, Number 7, 11 June 2010

<sup>80</sup> ‘Total joins petrol embargo of Iran as sanctions loom’, *Financial Times*, 28 June 2010

<sup>81</sup> ‘BP halts supply of jet fuel to Iranian airliners’, *Financial Times*, 6 July 2010

In the banking industry, import letters of credit are still being issued by **Iranian banks** and a 'handful' of Western banks continue to back these. However, very few international banks do any business with Iran, because of the constant pressure from the US Administration and its Treasury Department's Office of Foreign Assets Control (Ofac) which administers and enforces economic and trade sanctions.<sup>82</sup>

The sanctions are having a marked effect on Iran's **refined petroleum** market, with the government announcing an emergency plan to increase petrol production in September 2010.<sup>83</sup> In October it was reported that the quantity of refined petroleum products imported by Iran had decreased sharply.<sup>84</sup>

The sanctions regime is clearly having an effect on Iran's economic relations with the rest of the world and it is likely that lack of foreign investment and expertise, particularly in the country's energy infrastructure, will gradually further weaken the Iranian economy over the next five years or so.

Sanctions have also raised the price of imported goods, adding to **inflationary pressures**. The Central Bank of Iran's figures released in June 2011 put inflation at 14.2%, but there is reportedly widely-held scepticism about the bank's figures in Iran.<sup>85</sup> It was announced in July that the Central Bank would no longer release monthly inflation statistics.

The US Administration accepts, however, that sanctions alone are not likely to force Iran to abandon its nuclear programme. They impose a cost on the Iranian Government for pursuing its policy in defiance of the Security Council but, at the same time, the Iranian Government can blame foreigners for any hardships caused to ordinary Iranians.

Even if the sanctions do not, by themselves, cause Iran to change its nuclear policy, analysts argue that there are other more long-term motives for supporting sanctions. Firstly, they demonstrate the international community's cares about international rules and is prepared to do something to enforce them. Sanctions are also a way of demonstrating leadership for the countries that promote them and offer an opportunity for smaller powers to show solidarity by agreeing to adopt them.

The negative effects of the sanctions on ordinary Iranians will probably gradually increase over the next few years. Although the regime is not as severe as that imposed on Iraq during the last years of Saddam Hussein's rule, that country is an example of how much damage can be done to populations by sanctions regimes.<sup>86</sup>

## 10.1 Iranian comments

The Iranian Government has generally denied that the sanctions have had any negative effect on their economy. President Ahmadinejad said in March 2010 that new sanctions would strengthen Iranian technological progress by making the country more self-sufficient.<sup>87</sup> On November 13, 2010, the Secretary of Iran's Expediency Council, Mohsen

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<sup>82</sup> OFAC produces an [overview of Iran sanctions](#), which explains the US unilateral economic measures in more detail

<sup>83</sup> "Iran boosts petrol output as sanctions start to bite", *Financial Times*, 10 September 2010

<sup>84</sup> "Tehran petrol imports plummet", *Financial Times*, 12 October 2010

<sup>85</sup> "Iran central bank no longer to issue inflation data", *Reuters news Agency*, 4 July 2011

<sup>86</sup> For further discussion of the effectiveness of the sanctions regime, see the Library Research paper [The Islamic Republic of Iran: An introduction](#), December 2009

<sup>87</sup> "Ahmadinejad: Sanctions Make Iran Stronger", *Huffington Post*, 4 March 2010

Rezaei stated that, “so far, sanctions have left no effect on the peoples’ lifestyle.”<sup>88</sup> Sometimes, officials have gone as far as to say that their effect has been positive, encouraging domestic innovation.

On the other hand, some messages coming from Iran suggest that there are serious economic consequences to sanctions. In April 2011, President Ahmadinejad called for a “Year of Economic Jihad”, With the connotations of struggle and sacrifice inherent in the word ‘jihad’, that suggested that the economic conditions in Iran are far from comfortable.<sup>89</sup>

## 11 What are the alternatives to sanctions?

Sanctions might have more of an impact on the Iranian leadership if the **military options** available to the United States, to Israel or to both were more plausible. Military action might have some advantages. It might, for example, be possible to degrade Iranian nuclear facilities effectively, which would have the advantage of re-asserting US authority in the region. Such an action could also have the effect of defending the Nuclear Non-Proliferation Treaty and showing that obstruction of IAEA inspections would not be tolerated.

However, despite the fact that the military option is still ‘on the table’, many analysts point to the enormous difficulties and drawbacks of any strike. Firstly, air strikes could delay the programme but probably not halt it, which would probably require a large-scale land invasion. This is something which is hard to imagine given NATO’s commitment of troops to Afghanistan, not to mention the assets tied down more recently by the campaign in Libya. Many of Iran’s nuclear facilities are buried underground or otherwise protected, and it is unlikely that anyone outside Iran knows where they all are.

Secondly, Iran’s potential for retaliation is formidable, with its control of the Straits of Hormuz giving it a ‘strangle hold’ on oil supplies coming out of the Persian Gulf and heading for international markets. If Iran blocked the Straits of Hormuz, oil prices would probably rise dramatically, negatively affecting the international economy.

Also worrying to Western strategists is the link between Iran and the Lebanese radical Shia group Hizbollah and the Palestinian Sunni group Hamas. The fear is that Iran could use Hizbollah and Hamas to attack Israel in retaliation for an attack on Iran, which could lead to a dramatic upsurge of violence in the whole Middle East. Such an outcome could destroy any possibility of peace negotiations between Israel and the Palestinians. It would also make neighbouring Arab countries less likely to improve their relations with Israel.

Iran’s influence over Iraq could be overtly used against Western interests, and likewise Afghanistan could be adversely affected by any conflict. Arab Gulf States allied to the West are also worried that they could be vulnerable to direct attacks from Iran or to destabilisation by ‘political manipulation’ of the Shiite minorities that exist in some of them.

US attempts to rebuild relations with the Muslim world would be seriously undermined, as US forces could become entangled in defending Israel and its own military assets in the region against inevitable Iranian retaliation. US military forces are already stretched and the US is attempting to deal with a vast budget deficit.

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<sup>88</sup> “EC Secretary Downplays Effects of Sanctions against Iran.” *Fars News Agency*, 13 November 2010

<sup>89</sup> Alexander Wilner, *Iran’s Perceptions of International Sanctions and their Implications for Strategic Competition with the U.S. in the Gulf, Sept. 2010 – April 2011*, Center for Strategic and International Studies

An attack might also have negative consequences inside Iran. Firstly, it might encourage Iran to take a decision to pursue nuclear weapons, a decision that it is not at present clear that the regime has taken. Secondly, it might have the effect of rallying Iranians around their government, when western powers hope to capitalise on the abuses and unrest consequent on the disputed 2009 election.

Lastly, military action by Israel would probably destabilise US-Israeli relations. With Iran likely to retaliate against any such attack by attacking US interests in Iraq, Afghanistan and the Gulf States, the US would be forced to deploy forces to repel those attacks, and the US Administration has consistently opposed any Israeli strike.

A US attack would probably drive a wedge between the US and its European allies, as the Europeans are in general even more opposed to the military option than the US.

Quite apart from the practical considerations, there is the question of the legality of any military strike. Such a strike would only be permissible as an act of self-defence and would need to be in response to a specific threat rather than simply because of the possession of any type of weapon.<sup>90</sup> If any military action was obviously questionable in international law, its supposed beneficial effect in bolstering respect for the NPT specifically and the international rules-based system in general would be undermined.

The US administration has reportedly been trying to discourage Israel from taking any military action, but Israeli actions are hard to predict, given the heated rhetoric emanating from Tehran. As one recent study of the situation put it, "...the possibility of Israel going down that road, even against the wishes of Washington, is an objective reality."<sup>91</sup>

To the many other drawbacks to military action should be added the damage that it could do to the liberal currents in countries in transition after the **Arab uprisings of 2011**. An increase in confrontation between Israel, the US and Iran could drive moderates to support Iran, and undermine the case for friendly relations with the west.

**Covert action** is also a possibility which the US administration has not dismissed (and indeed is thought to be actively pursuing). The US and the UK are routinely blamed by Iran for subversive acts within its borders, where there is separatist agitation, particularly in Arab areas near the Iraqi border. The truth behind these allegations is not clear. The **Stuxnet** computer worm attracted publicity in September 2010, with commentators concluding that it was probably developed by Israel and another western state and was aimed at Iran's nuclear programme. It may have been responsible for causing many of Iran's uranium enrichment centrifuges to stop working, and may have delayed the operational date of the Bushehr reactor. Although almost 60% of computers affected by the worm are in Iran, many others are in India and Indonesia.<sup>92</sup>

Some analysts say that the US should concentrate more on **encouraging political change** in Iran than on preventing the Iranian acquisition of nuclear weapons, which, in any case, would be difficult to do. The US is moving in this direction, with sanctions targeted at hard

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<sup>90</sup> For a full discussion of the legality under international law of an attack against Iranian nuclear weapons, see Richard Dalton (ed.), *Iran: Breaking the Nuclear Deadlock*, Chatham House, 2008, pp35-6

<sup>91</sup> Dana Allin and Steven Simon, "Obama's Dilemma: Iran, Israel and the Rumours of War", *Survival*, Volume 52, Issue 6, 2011, p15-44

<sup>92</sup> "Worms will turn; A new type of cyber-attack points to an alarming future", *Financial Times*, 25 September 2010

line officials deemed most responsible for oppressive measures, and the EU is planning similar measures.

Acceptance of Iran obtaining a nuclear weapon and **containment** are also an option. It might be attractive but for the likelihood of a nuclear arms race being started in the Gulf region: Egypt and Saudi Arabia are said to have indicated that they will pursue nuclear weapons if Iran gets one. According to USD diplomatic cables released by Wikileaks, several Gulf rulers, including those of Bahrain and Abu Dhabi, have also suggested that they would not accept a nuclear-armed Iran and have quietly called for the US to take military action.<sup>93</sup>

Nor is any notion of containment supported by Israel. Hillary Clinton aroused opposition in Israel when she said in 2009 that the US could increase its defence cooperation with its allies in the Gulf region, to counter the perceived Iranian nuclear threat:

If the US extends a defense umbrella over the region, if we do even more to support the military capacity of those in the Gulf, it's unlikely that Iran will be any stronger or safer because they won't be able to intimidate and dominate as they apparently believe they can once they have a nuclear weapon.<sup>94</sup>

The comments were not welcomed in Israel and were described as a “mistake”.<sup>95</sup>

It seems, however, that the “defence umbrella” is already being unfurled. A giant arms deal announced in September 2010 will see some \$123 billion worth of US weapons sold to Saudi Arabia and other Gulf States, tying those countries into maintenance and training relationships with the USA for decades. The deal has been attributed largely to fears among Gulf Arabs of growing Iranian power.

Another drawback of allowing Iran to acquire nuclear weapons is that it could mean the effective end of Nuclear Non-Proliferation Treaty.

## **12 Has Iran taken a decision to make a bomb?**

While the consensus in Western intelligence circles may be that there are signs that Iran is working towards the development of nuclear weapons, many observers have concluded that Iran is pursuing ‘threshold status’, that is, that it may not have taken a decision to go as far as building a nuclear weapon but may want to stop just short of that step.

That would mean that the Iranian Government wants to be able to:

- master the technology required for enriching uranium to weapons grade
- stockpile enough weapons grade uranium to make a functioning nuclear deterrent
- master the technology for making usable nuclear warheads that are small enough to be carried on its ballistic missiles
- develop ballistic missiles that have a long enough range and are accurate enough to deliver credible nuclear strikes
- defend its nuclear facilities from military or other attacks

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<sup>93</sup> “Clinton Urges Gulf States To Maintain Iran Sanctions”, *New York Times*, 10 January 2011

<sup>94</sup> “Clinton's Iran Comments Irk Israel”, *National Public Radio*, 22 July 2009

<sup>95</sup> “Clinton's Iran Comments Irk Israel”, *National Public Radio*, 22 July 2009

Threshold status, however, would mean that Iran would not proceed to build a nuclear bomb. Advantages of such a policy could be:

- an increase Iran's perceived power in the region
- a smaller likelihood of invasion or attempt at regime change
- Iran could still claim that it had complied with its requirements under the NPT
- Iran's claim that it was not pursuing nuclear weapons would not be exposed as a lie
- Iran could comply with Ayatollah Khamanei's fatwa that nuclear weapons are un-Islamic

The clearest drawback with this policy is that Iran would not be able to test a nuclear device. The delay between taking the final decision and having a functioning nuclear deterrent might be long enough to allow nuclear facilities to be attacked and destroyed. Threshold status might be the stage at which an attack is the most likely.

### 13 Growing calls for different approach?

Despite the drawbacks of the various options, many commentators have called for a completely fresh approach on the part of western powers to Iran. This is partly because the existing policies have remained more or less unchanged for some time despite seismic changes in the region, partly because existing policies have not worked and are not likely to become more effective.

Instead of focussing exclusively on how to stop Iran from enriching uranium, a broader look might lead to more progress. Stephen Kinzer, a high-profile commentator on the US relationship with the Middle East, has argued that Iran, along with Turkey, is a natural ally of the United States in the region, with much deeper democratic roots than many of its neighbours and an established middle class.<sup>96</sup> Kinzer offers the idea of a grand regional security bargain to include not only the nuclear issue but also other problems and countries:

I really think that with Iran, the possibility does exist for a very new and very different kind of relationship. What we need to do is approach Iran not simply with the demand, "You must negotiate on your nuclear program," and [you must] achieve certain results that we come into the negotiations demanding.

What we should do instead, since that's an obvious non-starter, is to say to Iran what we said to the Chinese: "We have a lot of problems and complaints about what you do. We know there are things we do that you don't like. So let's make a list of all these things, and then let's talk about all of them." Then I think, in a larger context, we could start to build a very interesting new relationship with Iran that I'd like to see as the core of a new security architecture for that region, into which Israel would also be drawn.<sup>97</sup>

In June 2011, a group of six former European ambassadors to Iran, including Sir Richard Dalton, British Ambassador to Iran from 2003 to 2006, wrote an article in the *Guardian* newspaper.<sup>98</sup> In it, they denied that Iran is in breach of the Nuclear Non-Proliferation Treaty. The diplomats said that international law was not necessarily on the side of the western

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<sup>96</sup> Stephen Kinzer, *Reset: Iran, Turkey, and America's Future*, Times Books, 2010

<sup>97</sup> [Interview with Stephen Kinzer](#), *Democracy now television*, 14 June 2010

<sup>98</sup> "Iran is not in breach: There's no evidence that the country is building nuclear weapons. A new approach is needed", *Guardian*, 9 June 2011



powers: "In international law, the position of Europe and the US may be less assured than is generally believed." The article went on to say that many observers think that Iran would stop short of developing a weapon:

Most experts, even in Israel, view Iran as striving to become a "threshold country", technically able to produce a nuclear weapon but abstaining from doing so for now. Again, nothing in international law forbids this ambition. Several other countries are close to, or have already reached, such a threshold, with a commitment not to acquire nuclear weapons. Nobody seems to bother them.<sup>99</sup>

Iran could be allowed, they argue, to continue some enrichment on its own territory, which would be within its rights under the NPT, and the IAEA should say what additional tools it would need to ensure that Iran's programme remained peaceful. On this basis, the authors suggest, it might be possible to re-start meaningful negotiations.<sup>100</sup>

If strong suspicions that Iran is developing ballistic missiles with a view to carrying nuclear warheads are correct, this could be consistent with the notion that Iran wants nuclear 'threshold' status: convincing threshold status would require a country to have mastered the technology for credible delivery systems.

The question as to whether Iran has taken the decision to make a warhead is taken up by various commentators. Seymour Hersh wrote recently in the *New Yorker* that official US intelligence analysis has concluded that Iran was working on developing nuclear weapons until 2003, when it dropped the programme; the programme may have been, in any case, a reaction to the fear of an Iraqi bomb:

The public dispute over the 2007 National Intelligence Estimate [which concluded, "with high confidence," that Iran had halted a nascent nuclear-weapons program in 2003] led to bitter infighting within the Obama Administration and the intelligence community over this year's N.I.E. update--a discrepancy between the available intelligence and what many in the White House and Congress believed to be true. Much of the debate, which delayed the issuing of the N.I.E. for more than four months, centred on the Defense Intelligence Agency's astonishing assessment that Iran's earlier nuclear-weapons research had been targeted at its old regional enemy, Iraq, and not at Israel, the United States, or Western Europe. One retired senior intelligence official told me that the D.I.A. analysts had determined that Iran "does not have an ongoing weapons program, and all of the available intelligence shows that the program, when it did exist, was aimed at Iraq. The Iranians thought Iraq was developing a bomb."<sup>101</sup>

Hersh describes secret negotiations that have taken place between unofficial US representatives and Iranians, led by former diplomat Thomas Pickering. These 'track II' talks have revolved around the possibility of getting international involvement in Iran's enrichment process and have stressed the common interests of Iran and the US that would be furthered by better relations. According to Hersh, one of those involved in the Track II talks told him that the message for US policy would be clear:

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<sup>99</sup> "Iran is not in breach: There's no evidence that the country is building nuclear weapons. A new approach is needed", *Guardian*, 9 June 2011

<sup>100</sup> Technical detail about the possibility of enhanced monitoring of Iran's nuclear programme is provided in this article: "[Steps Toward a Deal On Enhanced Safeguards For Iran's Nuclear Program](#)", *Arms Control Today*, March 2011

<sup>101</sup> Seymour M Hersh, "Iran and the bomb", *New Yorker*, 6 June 2011

Get off your no-enrichment policy, which is getting you nowhere. Stop your covert activities. Give the Iranians a sign that you're not pursuing regime change. Instead, the Iranians see continued threats, sanctions, and covert operations.<sup>102</sup>

A similar case was made recently by Barbara Slavin for the Atlantic Council of the United States. She urged the US to consider accepting Iranian enrichment within limits and concentrate more on human rights promotion, to strengthen bonds with Iranian society:

To maintain the widest possible international cooperation, the United States should work with its diplomatic partners to craft new options for the Iranian nuclear program beyond the Tehran research reactor proposal, which appears to have been overtaken by events. Condoning limited enrichment to a level of 5 percent U-235 could be coupled with demands that Iran agree to rigorous monitoring, including ratification of the Additional Protocol to the Nuclear Non-Proliferation Treaty. If Iran refuses, the international consensus against it will only be strengthened.

The U.S. Treasury Department should publicly declare that it does not want sanctions to adversely affect ordinary Iranians by impeding the provision of humanitarian goods, preventing Iranians in the diaspora from sending remittances to relatives, or making it even more difficult for civil society organizations—including those that promote democracy for Iranians—to operate. (One model for such changes would be U.S. relaxation of sanctions on such activities with Cuba.) Forcing payments into the shadowy world of currency exchangers only makes transactions less transparent.

Especially given the importance of human rights in the dynamic changes now sweeping the Middle East, the U.S. should focus on this area for any future sanctions, singling out those individuals and institutions most responsible for the repression of Iranian citizens. These measures have wide support within Iranian society, and would show that the United States is not focused solely on the nuclear program, which has less resonance for the Iranian people.<sup>103</sup>

Another commentator has argued that the US needs to take a fresh approach, particularly in the light of the Arab revolutions.<sup>104</sup> These, argues Marc Lynch, have changed the dynamics of the region (not necessarily in Iran's favour). The author presses US policymakers to:

- Engage newly-empowered publics. The administration should lay out a vision that aligns the United States with the aspirations of publics in the Arab world and Iran, and demonstrate that commitment in practice.
- Focus on human rights and universal freedoms. The United States should call for the same universal rights and freedoms in Iran that it has articulated for the rest of the region, and significantly increase its focus on human rights in its approach to Tehran.
- Communicate Iran's weakness. The administration should launch a strategic communications campaign designed to highlight Iran's irrelevance to the uprisings and dwindling soft power, and avoid the temptation to embrace narratives that give Tehran an undeserved centrality in the region's transformation.
- Use diplomacy to shape the future. A negotiated solution to the Iranian nuclear challenge is unlikely in the short term, and this is not the time for a new public

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<sup>102</sup> Seymour M Hersh, "Iran and the bomb", *New Yorker*, 6 June 2011

<sup>103</sup> Barbara Slavin, *Iran Sanctions Preferable to War but No Silver Bullet*, Atlantic Council of The United States, June 02, 2011

<sup>104</sup> Marc Lynch, *Upheaval: U.S. Policy Toward Iran in a Changing Middle East*, Center for a New American Security, June 2011

initiative. However, the administration should continue pursuing lower-level diplomacy and confidence-building measures designed to create possibilities for movement when conditions change.

- Watch out for war. The administration should guard against sudden spirals to war based on miscalculations, fear and unpredictable proxy struggles. It should reject efforts to adopt the model of intervention applied in Libya to Iran, and continue to resist calls for military action.

None of these options is without its drawbacks. As Karim Sadjadpour has pointed out:

First, how do you go about reaching a modus vivendi with a hard line regime in Tehran which seemingly needs the U.S. as its adversary? Second, what's the best way to go about engaging the regime without demoralizing the opposition? Third, what's the best way to champion the cause of the opposition without tainting its independence?<sup>105</sup>

Michael Elleman of the IISS has also cautioned that radical elements in the Iranian regime might want to push beyond threshold status:

Being on the verge of acquiring the bomb may actually be enough of a deterrent. But then again, there are different factions within the Iranian regime and the more radical ones may push forward the decision to build the bomb.<sup>106</sup>

## 14 Conclusion

Iran is making steady progress with its programme of uranium enrichment and has mastered the processes necessary to produce medium-enriched uranium. To move from this to produce highly-enriched uranium, such as would be needed for a weapon, is relatively straightforward and it must be assumed that Iran is now capable of producing some sort of warhead within the next few years, should it decide to do so. According to the IISS, claims that Iran intends to obtain a nuclear weapon should not be made lightly, because the country's declared policy is not to pursue them on both religious grounds and because the country claims to abide by its legal obligations. The IISS does, however conclude that the evidence that Iran is pursuing at least 'threshold' status is convincing:

[...] Iran's systematic violations of NPT safeguards obligations and obstruction of IAEA investigations into allegations of nuclear-weapons-related work are well documented. Notwithstanding the civilian nuclear energy purpose of projects such as the Bushehr reactor, the totality of the evidence indicates beyond reasonable doubt that Iran also seeks a capability to produce nuclear weapons should its leaders choose to take this momentous step.<sup>107</sup>

To have an effective nuclear weapons capability, however, it is necessary to be able to defend the systems and to deliver warheads accurately. It is not clear how effective Iran's missiles are, although the regime is spending a lot of time developing missiles and claims that tests have been successful. The IISS reports that Iran is making "robust strides in developing ballistic missiles".<sup>108</sup>

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<sup>105</sup> Karim Sadjadpour, "Containment policy for a nuclear Iran?", Council on Foreign Relations, 17 June 2010

<sup>106</sup> "Iran more damaging with suicide bombers than missiles says expert", *EUobserver*, 15 July 2011

<sup>107</sup> *Iran's Nuclear, Chemical and Biological Capabilities – a net assessment*, [Executive Summary](#), IISS Strategic Dossier, February 2011

<sup>108</sup> *Iran's Ballistic Missile Capabilities – a net assessment*, IISS Strategic Dossier, May 2010, p7

The sanctions regime introduced in June 2010 was tough and has been further strengthened by both the US and the EU since the passage of the UN resolution. It may have had a considerable impact on the Iranian economy, although continued high oil prices will keep government revenues high and, barring an oil price collapse, no crisis of a scale that would force the Iranian Government to back down is foreseen.

Military options and other alternatives to sanctions have severe drawbacks, and many commentators have called for a less confrontational approach to Iran on the part of the US.

Engaging with the public in both Iran and its neighbours is probably a sensible option and one which the US would say it is pursuing. It is a policy which might produce results in the longer term, but it is not a great deal of help when trying to get out of the present *impasse* over uranium enrichment.

Allowing Iran to enrich uranium but with agreed safeguards may be legally justifiable, but it is difficult to see how any American president could make such a radical change without the US losing face badly in the eyes of his or her own electors. The increasing political power of the Iranian Revolutionary Guards and their central role in the nuclear programme make it equally difficult to imagine Iran responding favourably to a more conciliatory approach.

### Map of Iranian nuclear facilities



## Previous UN Resolutions

- **Resolution 1696, 31 July 2006- demand for Iran to stop enriching uranium**

The Security Council had in March 2006 called for a report by the IAEA to confirm Iran's compliance with the terms of the Nuclear Non-Proliferation Treaty (NPT),<sup>109</sup> which allows for the use of nuclear technology for peaceful energy purposes.

In July 2006, the Security Council said it was "seriously concerned" that the IAEA was unable to confirm the peaceful nature of Iran's programme, demanding that Iran "suspend all enrichment-related and reprocessing activities, including research and development" in a period of one month, with sanctions threatened otherwise.<sup>110</sup>

Iran stated that its nuclear programme was for civilian use and therefore permissible under the NPT.

- **Resolution 1737, 23 December 2006- embargo on nuclear equipment trade and certain individuals**

Iran did not comply with the deadline for the Security Council's demands. In December 2006, the Council unanimously adopted Resolution 1737, which called on states to block Iran's import and export of 'sensitive nuclear material and equipment' and to impose a freeze on the financial assets of persons and entities involved in Iran's nuclear activities.<sup>111</sup> An annex to the resolution provided a list of these persons and entities.

- **Resolution 1747, 24 March 2007- embargo on arms exports and restrictions on further individuals**

With no substantial progress with negotiations, on 24 March 2007 the Security Council broadened the sanctions.<sup>112</sup> It imposed an embargo on all of Iranian arms exports and an asset freeze and travel ban on further people it considered to be involved in the nuclear programme, including top members of the Iranian Revolutionary Guard, listed in an annex to the Resolution.

- **Resolution 1803, 3 March 2008: Financial and trade sanctions**

Further restrictions were imposed in March 2008, calling on states to exercise vigilance over financial institutions domiciled in Iran with activities in their territory, in particular Bank Melli and Bank Saderat. It extended the freezing of assets of individuals and financial institutions involved in nuclear-related activities, and called on countries to inspect cargoes entering or leaving Iran if there were "reasonable grounds" to believe they included items prohibited by previous resolutions.<sup>113</sup>

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<sup>109</sup> Treaty on the Non-Proliferation of Nuclear Weapons, 1968. Entered into force: 5 March 1970. Full text available at: <http://www.acronym.org.uk/npt/npttext.htm>

<sup>110</sup> 'Security Council demands Iran suspend uranium enrichment by 31 August, or face possible economic, diplomatic sanctions', UN Security Council press release SC/8792, 31 July 2006

<sup>111</sup> 'Security Council imposes sanctions on Iran for failure to halt uranium enrichment, unanimously adopting Resolution 1737 (2006)', Security Council press release SC/8928, 23 December 2006

<sup>112</sup> 'Security Council toughens sanctions against Iran, adds arms embargo, with unanimous adoption of Resolution 1747 (2007)', Security Council press release SC/8980, 24 March 2007

<sup>113</sup> 'Security Council tightens restrictions over Iran's proliferation-sensitive nuclear activities, increases vigilance over Iranian banks, has states inspect cargoes', UN Security Council press release SC/9268, 3 March 2008

The sanctions were adopted under Chapter VII of the UN Charter, which provides for binding measures not involving the use of force.