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Plan B: Using Sanctions to End Iran's Nuclear Program

ARMS CONTROL TODAY

George Perkovich and Silvia Manzanero

On October 21, 2003, Iran vowed to sign and abide by the Additional Protocol to the Safeguards Agreement, to suspend all uranium-enrichment and reprocessing activities voluntarily, and to cooperate fully with the International Atomic Energy Agency (IAEA) in resolving questions regarding Iran's nuclear program. Since then, however, concerns over Iran's nuclear activities have increased. The latest resolution adopted by the IAEA Board of Governors on March 13, 2004, suggests that Iran has failed to fulfill its stated promises and has hidden important aspects of its nuclear program that could betray Iran's intentions to develop nuclear weapons capabilities.

If Iran is found to be in noncompliance, the international community will be compelled to respond, or else the nonproliferation regime will be jeopardized. Military force should be the last resort for preventing or rolling back proliferation. Various forms of sanctions inevitably should be considered first.[1]
Still, any decision to place new sanctions on Iran for its nuclear weapons behavior will not take place in a vacuum. The United States has imposed sanctions on Iran for 25 years, punishing the Islamic republic for various transgressions ranging from support of terrorism and opposition to the Middle East peace process to violations of human rights and other transgressions.

Yet, the very breadth of the sanctions has limited their effectiveness. Applying new sanctions atop this jerry-rigged structure would not solve the "Iran problem" because the problem is so broadly and confusingly defined. Simply piling on more sanctions in the vague hope that the cumulative weight will lead to regime change in Tehran is misguided. U.S. policymakers need to clarify to themselves and Iranian decision-makers what are the one or two most important issues to resolve and then focus positive inducements and/or coercive measures to this end. Given the threat to regional and global security, ending Iran's nuclear program should be the foremost objective of the United States and will require urgent action. Effective sanctions need to be designed that could be quickly implemented and rapidly affect Iran's nuclear behavior in the event it wavers in fulfilling its commitments.

Current U.S. Sanctions Against Iran

Since the Iranian Revolution and hostage crisis of 1979, the United States has unilaterally imposed an extensive sanctions regime against Iran.[2] Initially, sanctions were imposed to punish Tehran and force the release of 63 U.S. embassy personnel by a group of militant Iranian students. Subsequent sanctions have aimed to prevent Iran from supporting terrorist organizations, hindering the peace process in the Middle East, and pursuing weapons of mass destruction (WMD). Yet, U.S. officials have not assessed the effectiveness of existing sanctions before adding new ones.

Since the Reagan administration designated Iran a state sponsor of terrorism in 1984, the United States has imposed sanctions on any trade with the Iranian government of arms and dual-use materials. In addition, the United States has banned Iran from receiving U.S. financial aid not exclusively directed toward humanitarian relief purposes. Washington also has forbidden international organizations such as the UN[3] from providing U.S.-derived funds to Iran. Likewise, Iran has been barred from direct loans, credits, insurance and export-import bank guarantees, and indirect assistance from U.S. contributions to multilateral development banks.[4]

In 1987 the Reagan administration issued Executive Order 12613, which prohibited all imports from Iran to the United States. The restriction also applied to Iranian crude oil, although trading oil overseas was still permitted.[5]

On March 15, 1995, the Clinton administration sanctioned most U.S. transactions related to the development of Iranian petroleum resources.[6] The only exceptions were licenses that, in effect, allowed U.S. firms to enter into oil swap deals with Iranian companies. Two months later, Executive Order 12959[7] banned U.S. investment in any area of Iran's economy and prohibited most trade relations with Iran.[8]

The enactment of the executive orders, however, did not prevent other countries from investing in Iran's energy industry. Thus, in 1996 Congress approved the Iran-Libya Sanctions Act (ILSA), which would sanction foreign companies that invest more than $20 million in developing Iran's energy sector.[9] Secondary sanctions have been highly controversial because of their alleged extraterritorial jurisdiction. In 1997 the Clinton administration waived sanctions against a consortium of European, Russian, and Malaysian firms investing in Iran in order to avoid a potential trade conflict between the United States and Europe. In exchange, the European Union (EU) and Russia agreed to increase their efforts in nonproliferation and counterterrorism.

Under ILSA, the U.S. government also may proscribe any U.S. financial institution from offering Iran loans or credits of more than $10,000 within a 12-month period.[10] In addition, no U.S. entity may procure any goods or services from an Iranian person or institution.

In March 2000, sanctions on Iranian imports to the United States were eased. Current exceptions include gifts valued at $100 or less, information and information materials, carpets, and some food products.[11]

Overall, the effects of U.S. sanctions on the Iranian economy have been mixed. Iran's economic performance has certainly been less than is needed to cope with a fast-growing population (65.9 percent working age): Iran suffers from a 16-21 percent unemployment rate and widespread poverty.[12] Yet, factors other than sanctions—war, corruption, and the lack of modernization policies—are the main causes for Iran's economic woes. U.S. sanctions have intensified economic pressures by slowing, although not fully, curtailing badly needed foreign investment in Iran's energy industry, which has not been able to take full advantage of periods of high oil prices.[13] U.S. sanctions also have prevented international lending institutions from funding development projects in Iran. Hence, Iran has been forced to undertake difficult fiscal reforms that have translated into important social dislocations.

Despite U.S. sanctions, Iran has been able to maintain a measure of economic growth by diversifying its trading partners and by heavily relying on oil exports.[14] Recent higher oil prices have allowed the government to begin restructuring the economy, enact new investment laws, and establish a stabilization fund for times of economic hardship. ILSA sanctions have not prevented non-U.S. foreign investment from flowing into Iran's energy industry, and none of the executive orders has prohibited U.S. companies from importing Iranian oil refined in third countries.

Most importantly, U.S. sanctions have not prompted Iran to change its behavior or governmental leadership along the lines desired by U.S. policymakers. Iran remains in the list of state sponsors of international terrorism, is still suspected of violating its obligations under the nuclear Nonproliferation Treaty (NPT), and has not moved beyond veiled rhetorical changes in its relationship with Israel. Perhaps no sanctions regime could motivate Iran to make the changes desired by the United States, but U.S. policymakers have imposed sanctions that are excessively rigid, that lack clear policy objectives, and that have failed to attain multilateral collaboration. In short, they have been astrategic.

The astrategic management of sanctions reflects a broader confusion in U.S. policy toward Iran, which has shifted from containment to behavior change and, at times, regime change. This has led to contradictory and self-defeating U.S. policy pronouncements. For example, rather than rewarding Iran for its cooperative attitude in the U.S. military campaign to oust the Taliban and during the Bonn negotiations on Afghanistan's transition, President George W. Bush cast Iran as part of the "axis of evil" in his 2002 State of the Union address.

The clumsiness of U.S. policy stems partly from the fact that sanctioning authority has been vested in two different power centers: Congress and the executive branch. Congress has often superimposed sanctions and conditions for their removal without a proper assessment of existing measures or consideration of their compatibility with evolving strategies toward Iran.

The question now is how can a sanctions-based strategy be improved so as to become an efficient policy tool against a defiant Iran. Certainly, if the goal were just to punish the Iranian leadership, no particular strategy would be needed. Iran's decision to go nuclear, however, would have such global repercussions that we must search for effective ways to reverse such a decision or demonstrate to watching actors that Iran should not be mimicked.

Imposing Additional Sanctions: Defining the Goals

Should Iran resume its uranium-enrichment program, whose current suspension Iran insists is only temporary, or fail to implement the Additional Protocol and satisfy IAEA demands, the United States and others will have to react. Would regime change be justified? Can the United States cause or even facilitate it? Would a U.S. role in regime change not encourage an anti-American, anti-Western backlash? The Central Intelligence Agency has suggested that Iranian interest in nuclear capability spans from reformers to hard-liners, casting doubt that regime change, even if desirable for other reasons, would solve the nuclear problem. Alternatively, is behavior change in the current leadership possible?

Assuming that the United States and other NPT members do not simply accept cohabitation with a nuclear Iran, the choice between regime change and behavior change must be made in the near term. A strategy of regime change, meaning a change of leadership, implies that dealing with the current government is out of the question.[15] According to regime-change-first proponents, bargaining would be seen as granting legitimacy to an adverse government and, furthermore, would prolong its staying in power. Some argue that dealing with the current authoritarian government in Iran would conflict with the U.S. mission to promote democratic change in Iran and the greater Middle East. Yet, it should be possible to advocate human rights and democracy in Iran while seeking specific changes in the nuclear- and terrorism-related policies of current decision-makers. After all, the United States achieved security-enhancing arms controls with the Soviet Union while still seeking regime change from communism to democracy.

The biggest problems with a regime change strategy are that Iran might develop nuclear weapons before any significant changes of leadership occurs and, even if a new government emerged, it might also wish to retain nuclear-weapon options.

Thus, the U.S. objective today should be to prevent or, if that fails, reverse an Iranian decision to seek nuclear weapons. This requires increasing the costs of noncompliance to the Iranian leadership, regardless of who is in power. The implementation of new sanctions would, therefore, be directed toward behavior change in the areas that most immediately threaten U.S. and regional security interests.

The most robust way to apply effective new sanctions would be through a UN Security Council resolution under Chapter VII (Chapter VII sanctions are binding on all states). If Iran failed to comply fully with IAEA demands, such a resolution should be feasible given that the Security Council has previously declared that proliferation is a threat to international peace and security.

Such new sanctions must have a mechanism for their suspension if and when Iran complies with established demands. That is, if Iran provides a complete account of all of its nuclear activities; ratifies and implements the Additional Protocol unconditionally; and agrees to give up fuel-cycle technology that is perceived, thanks to Iran's pattern of deception, as inherently suggestive of nuclear weapons, then these sanctions would be withdrawn.

Identifying Iran's Vulnerabilities

New sanctions should be pursued only to the extent they are likely to be applied by a decisive collection of countries and can be adjusted if and as Iran's nuclear policies improve. The focus should be on Iran's energy industry and, more specifically, on restricting any foreign investment geared toward its development. Curtailing Iranian oil and natural gas exports as well as its imports of gasoline for domestic consumption would also be high-impact measures, but the United States would find few partners in pursuing such sanctions. Banning Iran from receiving credits for development projects from international financial institutions and blocking Iran's membership in relevant trade agreements constitute additional pressure areas. Finally, curbing Iran's most important non-oil export and import products would also send a strong message, particularly because the country is increasingly trying to diversify its trade. The key to all of the proposals would be to gain at least the cooperation of the EU and Japan in such sanctions.

Forty to 50 percent of the revenue of Iran's central government comes from oil exports and they constitute about 80 percent of Iran's total export earnings.[16] In order to remain a profitable source of revenue, however, the oil industry needs to be modernized, and new oil fields have to be developed. Iran is counting on approximately $5 billion per year in foreign investment to update onshore fields and develop new ones, and it requires $8-10 billion to develop its offshore fields. Similarly, Iran expends about $1 billion a year in oil imports, mainly gasoline, because it lacks the infrastructure and technology to produce its own.[17] Blocking the flow of gasoline imports would, therefore, constitute an additional pressure measure.

Iran also possesses the second-largest natural gas resources in the world. Although it now lacks the capacity and infrastructure to export significant amounts, Iran could become a leading exporter of natural gas in coming years. Sanctions on natural gas exports would send a strong message, but they would not cripple Iran's economy significantly in the short term. Curtailing foreign investment in this industry, however, would more dramatically increase the cost of Iran's noncompliance with the demands of the international community.

Investment in Oil and Natural Gas

Without new investment, aging oil fields and growing domestic demand will force Iran to become a net importer of oil by 2010.[18] Despite the threat from U.S. secondary sanctions, several countries have already invested in Iran's oil industry, and more companies are expected to take advantage of the latest deals presented by the National Iranian Oil Company, a state-owned enterprise offering 16 new "buyback" contracts.[19]

In the next two decades, world energy demand also will shift from oil to natural gas. North America, Europe, and Asia are expected to count for 60 percent of this growth.[20] Because of its proximity, Iran hopes to become a key supplier of European and Asian countries. Despite its vast resources, however, Iran needs large amounts of foreign investment to develop treatment facilities, pipelines, and liquefied natural gas (LNG) tankers for transportation. Moreover, many of these deals are still being negotiated, providing the option of stopping investments before they begin rather than the more difficult task of reining in projects already underway.

Still, a new natural gas sanctions initiative would have to encourage a large number of current and prospective investors to turn away from a nearly unparalleled supplier. China Petroleum & Chemical Corporation (SNP), which has shown interest in bidding for Iran's latest offers, has already stated that it will not yield to Washington's pressure.[21] Further, despite growing concerns over Iran's nuclear program, Total (France) and Petronas (Malaysia) recently have agreed to invest $2 billion for the creation of Pars LNG Company, which will manage the production of 8 million tons of LNG a year.[22]

By contrast, steps have already been taken toward building a coalition to block new investments in Iran's oil sector, where Iran might have tremendous natural resources but is certainly not the only place to invest. Russia and the nearby Caspian oil fields of Kazakhstan and Azerbaijan are potential destinations for foreign investors.

After three years of negotiations, Spanish companies have pulled back, alleging commercial issues. John Browne, BP chief executive, has also expressed his concerns over investing in Iran given the current international political environment.[23] Although a Japanese consortium has recently agreed to develop the vast Azadegan oil field, negotiations took four years in part because Japan shares U.S. interests in nonproliferation and also did not want to jeopardize U.S.-Japanese trade relations.

Oil Exports

Iran's key oil customers include Japan, China, South Korea, Taiwan, France, Germany, and Italy. These countries are among the world's top petroleum net importers, and together they receive about 1.2 million barrels per day (mbd) out of the 2.6 mbd that Iran exports daily.[24] Although German and French demand for Iranian oil has decreased in the last decade, Japanese, Chinese and South Korean demand has increased; even Italy still imports about 8.8 percent of its oil from Iran. Establishing sanctions on Iranian oil would entail convincing these countries to stop oil trade with Iran or at least significantly decrease it. Even if they could find alternative suppliers, keeping Iran's oil off the market would raise prices, thereby harming the global economy, particularly the economies of oil importers. This unwanted prospect would keep key importers from supporting a UN sanctions resolution in the first place.

Approximately 1.2 mbd would have to be added to the market and redirected to this group of countries.[25] One possible source is Saudi Arabia, which on its own has an excess capacity of 1.4-1.9 mbd as of 2003.[26] Venezuela, too, has the capacity to expand production by 1 mbd with stable foreign investment.[27] Other OPEC[28] countries such as the United Arab Emirates (U.A.E.), Kuwait, Nigeria, and Libya also have the capability to increase production at no significant additional cost.[29] Moreover, non-OPEC countries such as Norway, Mexico, and, more importantly, Russia, would be prime sources of substitute oil supply. Without almost one-half of its oil exports revenue, the Iranian central government would be seriously depleted of important resources.

Yet, such a reallocation of market share could be seen as an indirect reward to substitute supplier countries that are less than democratic. This could further undermine international will to cooperate with sanctions. More likely, countries whose participation is necessary for effective sanctions against Iranian exports—European states—would be reluctant to endanger their important non-oil trade relations with Iran. China and Japan import such large fractions of their overall oil supply from Iran that they would be highly reluctant to join sanctions on Iranian exports.

In sum, sanctioning Iranian oil exports would require many major states to put nuclear counterproliferation ahead of economic well-being, at least in the near term. In democracies, elected leaders would have to calculate whether voters would care more about the security implications of Iranian nuclear weapons than increases in their cost of living. These calculations would in turn be affected by national threat perceptions and the process by which sanctions would be authorized. Would a nuclear Iran be seen as a threat primarily to Israel and U.S. forces in the Persian Gulf and therefore not sufficiently threatening to Iran's largest oil customers to warrant sanctioning? Would key EU states feel more threatened by Iranian nuclear weapons or by inflation? Major Asian importers of Iranian oil probably would not feel directly threatened by Iranian nuclear weapons and therefore would be reluctant to cooperate with sanctions. This reluctance would be greater still if sanctions were seen as primarily a U.S. "project." Thus, it would be vital to obtain UN Security Council authority for such sanctions, in order to broaden the legitimacy of such action.

As a matter of principle, the United Kingdom, France, Russia, and China, as permanent members of the Security Council, should support decisive sanctions against any state that defies IAEA demands because the effectiveness of global nonproliferation efforts is at stake. Indeed, the viability of multilateral institutions and a rules-based international system would be threatened if the Security Council did nothing while Iran acquired nuclear-weapon capability after having been caught violating its NPT-related obligations. Unfortunately, the United States' selective support of these same international institutions weakens Washington's credibility in rallying others to take an appropriately firm stand against Iran.

Even if the prospects of an oil embargo are exceedingly dim, sanctions on foreign energy investment in Iran may well be possible. Other forms of international isolation should also be considered.

Tackling Credit

As a state designated a supporter of terrorism, Iran has been denied U.S. contributions via international financial institutions since 1984. The U.S. government also has lobbied other country members of such international bodies to withhold their donations. Between July 1993 and May 2000, a coalition among the Group of Seven world's wealthiest states blocked all contributions from the World Bank to Iran. Consensus broke, however, when European partners adopted an engagement strategy with Iran. Since then, the World Bank has awarded four loans for development projects in Iran: $145 million for the Tehran Sewerage Project, $87 million for the Primary Health Care and Nutrition Project, $20 for the Environmental Management Support Project, and $180 million for the Earthquake Emergency Recovery Project. In addition to these, $150 million will be directed to establishing a local development fund, $80 million for a low-income housing project, $120 million for a water supply and sanitation project, and $295 million for a "de-urbanization" project.[30] As major contributors to international financial institutions and as trade partners with Iran, European countries could exert leverage by withholding these contributions if Iran violates its nonproliferation commitments. Their amounts might be insignificant, but restrictions on international credits could symbolically manifest Iran's status as a nuclear pariah.

It should be noted, however, that, despite economic pressures throughout the last three decades, Iran has never applied for assistance from the International Monetary Fund (IMF). Although other countries have chosen to receive loans from the IMF's Contingency and Compensatory Financing Facility, Iran has implemented arduous structural reforms that, in the long term, have helped the country ensure economic growth.[31]

Iran's non-oil exports constitute about 15 percent of the country's total export revenues (about $6 billion in 2003). Products include carpets, fruits and nuts, and chemicals. The U.A.E., Germany, Azerbaijan, Italy, Japan, China, and India are among Iran's major customers. If a ban on exports from Iran were multilateral, it would also intensify the international isolation that Iranian society clearly wishes would end.

Perhaps as significant and difficult to achieve as a multilateral ban on Iranian non-oil exports would be to restrain other countries' exports to Iran. Although Iran managed to find new providers to substitute for banned U.S. imports, the cost that Iran has incurred in value and quality, particularly on high-tech products, has been significant. Iran is presently in great need of machinery, transportation vehicles, chemical products, iron, and steel. Current major suppliers to Iran include the EU with 37.2 percent of Iran's total imports, Russia with 5.6 percent, the U.A.E with 5.5 percent, and Japan with 5 percent.[32]

The EU position here is very strong. On December 12, 2002, the EU and Iran began negotiations on a "Trade and Co-operation Agreement." The treaty is contingent on Iran's compliance with European demands on issues related to terrorism, support for a peaceful resolution of the Middle East conflict, clearance over Iran's WMD programs, and human rights. These prerequisites are "interdependent, indissociable, and mutually reinforcing elements of the global approach which is the basis for progress in the EU-Iran relations."[33] Because the World Trade Organization keeps denying Iran entry, the proposed EU-Iran agreement represents Iran's best bridge to the West. Isolation by Europe and the United States would dramatize the cost Iran would pay for seeking nuclear-weapon capabilities. Russia, too, would be forced to collaborate with this multilateral sanctions regime or face the possibility of being left without its privileges at the Group of Eight negotiation table.[34]

Regardless of their differences with the United States, France, Germany, and the United Kingdom must prove that they are truly committed to the basic premises of the Trade and Co-operation Agreement and the conditions they insisted that Iran agree to in October 2003. If Iran decides to restart its uranium-enrichment program or impede IAEA inspections, French, German, and British firms will have to forgo significant potential profits (based on 2002 data, about $1.109 billion, $1.807 billion, and $666 million in exports, respectively). Again, these states would have to decide if upholding the norms and terms of the nonproliferation regime were important enough to penalize Iran for defying them.

Conclusion

Iran's resumption of its uranium-enrichment program or failure to satisfy IAEA demands fully will present a crucial challenge to the preservation of the nonproliferation regime. In that case, upholders of nonproliferation norms should pursue a sanctions-based strategy that has as an immediate priority to reverse Iran's threatening decision. Such a punitive measure would be intended to increase the costs of noncompliance for the Iranian leadership. It would also require that U.S. policymakers honestly acknowledge the primacy of this goal in their relations with the Islamic republic. This article has suggested the most (and least) promising targets of potential sanctions.

Ultimately, a broader strategy of engagement and domestic political changes in Iran are the only solutions to the country's nuclear aspirations. Sanctions should be understood as just one tool that, in this case, should be used with the very specific goal of redressing threats to international peace and security. The daunting prospects of rallying international support for sanctions if Iran violates its commitments not to pursue nuclear-weapon capabilities should only deepen leading states' determination to prevent this development from occurring in the first place.

NOTES

1. Although other types of sanctions might be imposed and/or more rigorously implemented (i.e. sanctioning foreign companies trading WMD materials and expertise with Iran), this paper examines only the feasibility of new economic sanctions on Iran. Parallel sanctions on arms and technology sales also should be considered. U.S. Undersecretary of State for Arms Control and International Security John Bolton recently stated that 13 companies will be sanctioned for providing WMD technology to Iran. See Michael Eisenstadt, "Russia Arms and Technology Transfer to Iran: Policy Challenges for the United States," *Arms Control Today*, March 2001; John Bolton, testimony before the House International Relations Committee, March 30, 2004.

2. For a more expanded explanation, see Meghan O'Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism* (Washington, DC: Brookings Institution Press, 2003); Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (New York: I.B. Tauris, 2000). For a compilation of U.S. sanctions against Iran, see Kenneth Katzman, *U.S.-Iranian Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations* (Washington, DC: Atlantic Council, 1999).

3. The only exceptions are U.S. contributions to UNICEF and the IAEA. Also, the Foreign Assistance Act of 1961 forbids U.S. foreign assistance to countries on the U.S. terrorism list. This provision was added by the International Security and Development and Cooperation Act of 1985. Nevertheless, under Section 620A, the U.S. president might waive restrictions on the basis that doing so is in the U.S. national interest. Katzman, U.S.-Iranian Relations, p. 59.

4. Ibid., p. 64

5. Executive Order No. 12613, October 30, 1987.

6. Executive Order No. 12957, May 15, 1995.

7. Clarified by Executive Order No. 13059, August 19, 1997.

8. These executive orders invoked the powers vested in the president by the International Emergency Economic Powers Act and the National Emergencies Act, although EO 12959 was also based upon the authority provided by the International Security and Development Cooperation Act. For further explanation of the sources of authority for U.S. unilateral economic sanctions, see Alikhani, Sanctioning Iran, pp. 32-56.

9. Congress reauthorized the ILSA on August 3, 2001.

10. These measures were reinforced in 1992 by the Iran-Iraq Non-Proliferation Act and expanded in 1996 to apply to any other state helping Iran attain weapons of mass destruction. Under the Foreign Assistance Act of 1961 the United States has also prohibited exports of arms-related materials and dual-use items.

11. Office of Foreign Assets Control, U.S. Department of the Treasury, "What You Need to Know About U.S. Economic Sanctions."

12. CIA, World FactBook; Iran Statistical Center.

13. O'Sullivan, Shrewd Sanctions, pp. 67-71.

14. Iran's gross domestic product has gone from 3.4 percent in 1999 to 2.0 percent in 2000, 5.3 percent in 2001, 5.9 percent in 2002 and an estimated 6.7 percent in 2003. "Islamic Republic of Iran: Statistical Appendix," IMF Country Report no. 03/2003, September 2003.

15. Tactics for regime change include military invasion and removal of the unwanted government, support of armed anti-government forces, aggressive military/political/economic pressure, international propaganda, and so on. The United States has displayed this range of tactics historically to mixed effect against Iran (1953), Chile (1973), South Africa (1980s), and the Soviet Union (Cold War). Today, however, regime change will not solve the security challenge posed by Iran's nuclear program.

16. Energy Information Administration (EIA), "Iran," Country Analysis Brief, November 2003.

17. Ibid.

18. Kenneth Katzman, “The Iran-Libya Sanctions Act (ILSA),” CRS Report for Congress, updated July 31, 2003, p. 2.

19. Arrangements are made possible by the 1987 Petroleum Act whereby foreign firms fund and manage the development of oil and gas fields in exchange for a pre-accorded share of production. All production operations are eventually transferred to the National Iranian Oil Company.

20. Bob Tippee, “Worldwide Gas, LNG Demand Poised to Surpass Oil,” Oil & Gas Journal, September 22, 2003, p. 28.

21. Sally Jones, “Sinopec Wants Iranian Oil Deal Despite U.S. Pressure—Exec,” Dow Jones Newswires, January 29, 2004.

22. “Iran Wins $2bn Gas Deal with Total and Petronas,” DailyNews, February 26, 2004.

23. “Iranian Oilfield Bids Soldier on Despite Set-Back” Daily Times, January 30, 2004.

24. The United States tops the list, with Spain and India in seventh and eighth places, respectively.

25. Based on 2003 production levels and not including Taiwan’s data.

26. “The New Geopolitics of Oil,” National Interest, Winter 2003/04 (Internet version).

27. EIA, “International Energy Outlook 2003: World Oil Markets,” May 1, 2003.

28. OPEC countries: Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

29. EIA, “International Energy Outlook 2003.”

30. William E. Schuerch, testimony before the House Financial Services Subcommittee on Domestic and International Monetary Policy, Trade and Technology, October 29, 2003.

31. O’Sullivan, Shrewd Sanctions, p. 70.

32. European Commission summary: “Trade Issues: Bilateral Trade Relations, Iran.”

33. “EU-Presidency and Commission Joint Press Release on the Opening of the Negotiations With Iran,” Brussels, December 12, 2002.

34. Patrick Clawson, “Can ILSA Help Stop Iranian Proliferation and Terrorism?” statement before the House International Relations Subcommittee on the Middle East and Central Asia, June 25, 2003 (enforcement of ILSA and increasing security threats from Iran).

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