

Keep up the pressure and Iran will buckle

New sanctions on banks, ports and shipping will push Tehran to curb its nuclear ambitions

By Charles Guthrie
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The Islamic Republic of Iran is often described as an "irrational actor" on the world stage. That is why so many fear Tehran building a nuclear arsenal. But Iran does respond to pressure - and if we intensify that pressure we can make Iran follow its self-interest and give up its nuclear ambitions.

As a former soldier I see the use of military force as a last resort. Diplomacy, if necessary backed by sanctions, should always be the first choice. For a decade the international community has negotiated with Tehran while the sanctions regime put in place in 2006 has increasingly isolated the Iranian economy. This week we will discover whether the current round of negotiations can achieve concrete results.

Yesterday representatives of Iran and the International Atomic Energy Agency (IAEA) met in Vienna for the third round of talks in less than a week. And tomorrow in Baghdad Iran will meet the negotiators of the P5+1 - the five permanent powers on the UN Security Council and Germany. These talks come after last month's meeting in Istanbul when negotiations resumed after more than a year's inaction.

The latest packages of sanctions were passed only a few months ago. This summer further tough measures against the Iranian oil and gas industry are due to come into force. They are starting to bite. Recently there has been a dramatic devaluation of the Iranian rial as well as a surge in inflation coupled with a significant fall in Iranian state revenues.

Although domestic mismanagement has contributed to Iran's current economic malaise, international sanctions have finally influenced the decision-making of the leadership of the Islamic Republic. Statements from Iranian officials in the past few months reveal that Tehran is getting worried about the impact of sanctions.

This has led to a new Iranian negotiating tactic. Since 2010 Iran had demanded that the P5+1 unconditionally recognise its right to enrich uranium before any talks could begin. A few weeks ago Iran dropped this precondition and indicated its willingness to reach a negotiated solution. Economic pressure is succeeding in driving negotiations forward.

Scaling the pressure back now could prove a serious mistake. Iran must conclusively demonstrate that it is limiting its nuclear programme to civilian applications. This is not a political demand but Iran's legal obligation as a signatory to the non-proliferation treaty. In order to keep up the economic pressure on Iran, there are four areas where governments can strengthen the existing sanctions regime.

Currently only a few Iranian banks are subject to sanctions. This leaves the whole private Iranian banking sector open for business. If all Iranian banks, state-owned and private, were subject to sanctions it would dramatically increase the economic difficulties for the regime.

Governments in Europe should require companies to disclose their business with and in Iran if they want to apply for government contracts. This is a measure that has been enacted with great success in the US; if copied in the EU it would result in a large-scale withdrawal of European business from Iran.

All the main Iranian ports are operated by the Tidewater Middle East Co, a company identified by the US as being controlled by the Islamic Revolutionary Guard Corps. Therefore, imposing sanctions on shipping companies doing business in the EU and the US if they co-operate with Tidewater would render Iran's ports inaccessible to international shipping and choke its exports, especially oil.

Insurance companies and financial institutions that significantly help Iran to export should be identified and prohibited from doing business in the EU and US. In addition they should not be allowed to enter into reinsurance agreements with companies, insurers and reinsurers operating in the West. Finally, insurance companies and banks should disclose any substantial investments in companies and entities that are investing in or have business with Iran.

Sanctions are a blunt tool and there is ultimately no guarantee that they will force Iran to change course. But they are our best chance of success. There's a precedent for the regime buckling under pressure. Despite its bellicose noises, Iran sued for peace with Iraq in 1988 and accepted a UN ceasefire once it had no prospect of securing a military victory.

But such an outcome will also depend on pressure from companies as well as governments. Whatever sanctions cost, I know from experience that war will be more costly. Business will suffer far more from conflict in the Gulf than they will if they limit their dealings with Iran.

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