Opinions

Using financial sticks to control Iran

By Juan Zarate and Chip Poncy August 27

Juan Zarate was the first-ever assistant treasury secretary for terrorist financing and financial crimes, deputy assistant to President George W. Bush and deputy national security adviser for combating terrorism. Chip Poncy served as the strategic policy director for Treasury's office of terrorism and financial intelligence in the Bush and Obama administrations and led the U.S. delegation to the Financial Action Task Force (2010-2013).

As Congress considers the Iranian nuclear deal, it should also prepare a strategy to use U.S. financial and economic power aggressively against a broad array of Iranian threats. If the deal is adopted, the risks from an enriched, emboldened Iran will only grow. These risks should not be accepted as an unavoidable cost of the deal.

Any unwinding of sanctions and reintegration of the Iranian economy will provide Iran's Revolutionary Guard Corps , and its overseas Quds Force — the defenders of the regime and exponents of the revolution, with greater resources and access to global financial and commercial systems.

The Revolutionary Guard and the ruling mullahs control strategic elements of the Iranian economy — the largest construction company, much of its telecommunications sector and a large portion of the Tehran stock exchange. They use the nation's banks, oil industry and other nodes of the economy to profit personally, support terrorism and preserve the regime. They exert control through bonyads, or parastatal financial entities, and Supreme Leader Ayatollah Ali Khamenei's vast financial network, EIKO (set to be delisted), worth tens of billions of dollars.

There is serious concern regarding the infusion of billions of dollars into Iran immediately, with more sanctions relief and investment to follow. Funding is likely to flow from Tehran to terrorist proxies from Beirut to Yemen.

The deal's allowance for a nuclear infrastructure and research will certainly not decrease proliferation risks. Proliferation concerns, especially given Iran's trade with rogue third countries like North Korea and Syria, will actually increase. And the threat is likely to be exacerbated with the lifting of the arms and ballistic missile embargoes, after five and eight years, respectively.

With more capital and better technology, Iran will continue to harass its enemies with cyber attacks, as it has against Western banks, the Sands Casino and Saudi Aramco.

The regime will use its economic control to brutally suppress internal opposition, and concerns over human-rights abuses and regime kleptocracy will grow.

Iranian money laundering and illicit financing — specifically called out internationally and subjected to U.S. regulatory action — will persist. It will be harder to identify sanctions evasion and even more difficult to enforce with greater market enthusiasm for doing business with Iran.

These risks must all be confronted using the financial power that has dominated the post-9/11 period, especially when military options are not available. The United States cannot watch these risks grow without "pushing back" against Iran.

Congress should put in place a new strategy, preserving and strengthening our ability to confront Iran's rogue activity through the use of financial power. The strategy will succeed if focused on underlying Iranian conduct and accepted international principles.

We should adopt an economic constriction campaign focusing on the Revolutionary Guard and core elements of the regime engaged in terrorist financing, proliferation and providing support to destabilizing proxies. This should include secondary sanctions against those doing business with designated Iranian players.

We should tighten export-control enforcement, interdictions and financial restrictions — including against relevant Iranian banks — and target those engaged in proliferation finance or sanctions evasion under Executive Orders 13382 and 13608, respectively.

The Patriot Act Section 311 action against Iran and its central bank should be reinforced with a designation of "primary money laundering concern" against the class of transactions involving any Iranian bank, to address the increased risks of Iran's use of the financial system for illicit activity.

This could be amplified with a monitoring program, under European Union leadership, through the Society for Worldwide Interbank Financial Telecommunication (akin to the Terrorist Financing Tracking Program) to track and analyze suspect Iranian banking transactions. This could be a "halfway" house for reintegrating Iranian banks into the global market. Similar to controlled asset repatriation, unfrozen funds could be held in escrow for specific, peaceful Iranian uses.

Legislation such as the Sergei Magnitsky Act could target the assets of those involved in gross human-rights violations. This might include a preemptive asset recovery venture against Iranian leadership engaged in kleptocracy and embezzlement.

And a recent executive order allowing sanctions against malicious cyber activity should be used to target Iranian cybersecurity threats.

Is this possible under the terms of the Iran deal? It should be. There will be overlap between previous nuclear sanctions and some of these new measures, but the administration has assured that "non nuclear" sanctions were not on the table and has admitted that Iran's aggressiveness will increase.

Such steps would enable any nuclear deal while tempering premature market enthusiasm for doing business with a dangerous regime and preserving a key element of U.S. leverage against Iran.

If the diplomats tell us such a strategy would undermine the deal, then we know that there is no meeting of the minds and that we may have negotiated away our ability to use economic power effectively to isolate rogue Iranian activity. It cannot be that the leading state sponsor of terrorism has secured reintegration of its economy and immunity to avoid the aggressive use of U.S. financial measures.

We should not wait to find out — or to address the known risks from Iran that are already upon us. Confronting these risks requires a renewed strategy leveraging the same type of financial power that forced Iran to the negotiation table.

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