



Statement before the House Financial Services Committee  
Subcommittee on Terrorism and Illicit Finance  
Subcommittee on Monetary Policy and Trade

On “Increasing the Effectiveness of Non-Nuclear Sanctions on Iran”

# Iran’s Role in Destabilizing the Middle East and Implications for New Non-Nuclear U.S. Sanctions

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Chairman Pearce, Chairman Barr, Ranking Member Perlmutter, Ranking Member Moore and distinguished committee members:

In 2017, we are at inflection point in Iran's strategy in the Middle East. The Joint Comprehensive Plan of Action (JCPOA) has given the Islamic Republic new resources and freed Tehran to focus on building its conventional military capacity to compete with its regional rivals more directly. Iran is also sensing, finally, some form of victory in the wars in Syria and Iraq. In the aftermath of these conflicts, the Iranian leadership will be left with an enormous degree of influence stretching from Beirut to Basra and beyond. Led by the Islamic Revolutionary Guard Corps, or IRGC, Tehran will also now have at its disposal a trans-national proxy army of Shia militia units with at least a couple hundred thousand personnel with hybrid warfare capabilities. This will pose significant challenges to our friends in the region and to our interest in stability in Middle East.

Why does Iran pursue these destabilizing activities? Since the 1979 Islamic Revolution, Tehran's foreign policy has been driven by a desire to reshape the Middle East under its political and ideological image. At the same time, Iran seeks to ensure more traditional regional power interests of economic growth and expanded spheres of influence. Iran seeks to spread its concepts of Islamic governance, to oppose the state of Israel, protect Shia populations, and to assert its regional hegemony by displacing the United States as the dominant regional power. Due to a relative disadvantage in conventional military capabilities, Tehran has pursued these objectives primarily through clandestine operations and unconventional warfare for the past thirty-eight years. In particular, Iran has utilized its "Resistance Network" of partners, proxies, and terrorist groups, including the Lebanese Hezbollah while employing a suite of deterrent capabilities including ballistic missiles and asymmetric naval platforms.

The executor of Iranian proxy policies, the IRGC, and in particular its paramilitary wing Quds Force (QF), was created by the Supreme Leader Ayatollah Ruhollah Khomeini in 1979 first to secure the revolution at home and then export the revolution abroad. Tehran significantly expanded the size and complexity of its proxy force in the past five years, due primarily to the wars in Syria and Iraq. Iran views these conflicts as existential threats and also gained an opportunity to experiment and create new warfighting capabilities. This new force not only includes the growth of the primary groups that form the "resistance network" such as Lebanese Hezbollah, and Iraqi groups like the Badr Corps, Khataib Hezbollah, and Asaib Ahl al-Haq. In addition to these established groups, Iran created new Shi'a militias throughout the region, like the Shia militias from Iraq, Afghanistan, and Pakistan and the mobilization of Iraqi and Syrian civilians into the Popular Mobilization Forces (PMF) and Nation Defense Forces (NDF) to fight in their own civil conflicts.

Iran continues to invest in training and arming its proxies and partners with increasingly advanced equipment, with its most trusted groups receiving the best weaponry. Lebanese Hezbollah acquired unmanned aerial vehicles and an estimated 100,000 to 150,000 rockets and missiles through Iranian assistance, including advanced air-to-ground and ground-to-sea missiles.<sup>1</sup> Iran's Iraqi proxies employed the QFs' signature improvised explosive device, the explosively formed projectiles against coalition forces in the last decade.<sup>2</sup>

Iran also continues its partnership with the Yemeni Shi'a rebel group in their civil war. So far, the group receives mostly small arms and training from Hezbollah and the IRGC, although there are indications the movement has gained increasing Iranian rocket technology that can threaten both Saudi territory and Red Sea shipping lanes.<sup>3</sup>

Perhaps more important than weapons are the tremendous strides the IRGC made in the past five years advancing their proxies' deployability, interoperability, and capacity to conduct unconventional warfare. The corps effectively moves its Iraqi, Afghan, and Pakistani proxies into and out of the Syrian, Iraqi and possibly Yemeni theater as requirements demand. In addition to building the NDF and coordinating with Lebanese Hezbollah, Russian, and Syrian government operations, the IRGC has begun rotating cadre of its brigade-level officers to Syria to train and lead the Shia militias in their counterinsurgency campaign.<sup>4</sup>

The IRI is in effect turning its resistance network into a transnational proxy army,<sup>5</sup> with estimates of more than a quarter million personnel that are potentially responsive to IRGC direction.<sup>6</sup>

Iran's efforts to dominate the region also extend to conventional military force. Ballistic missiles have been the cornerstone of Iranian military strategy since the end of the Iran-Iraq War. Tehran lacks sufficient air and land forces to effectively project conventional power beyond its borders. It cannot establish air superiority or deploy large combat formations abroad. Missiles and its asymmetric naval forces in the Persian Gulf are an attempted substitute and deterrent.

Iranian missiles lack sufficiently precision-guided warheads and cannot yet be employed to reliably and accurately destroy adversaries' military targets. At least for now, these missiles are employed more for deterrent or coercive purposes against the Gulf Arab states and Israel. Iran understands that while regional rivals possess far more advanced air defense, armor, naval capabilities, the Gulf countries in particular continue to struggle to effectively integrate and operate their systems due to separate procurement processes and training deficiencies.

Iranian military doctrines and defense acquisition strategies aim to exploit this operational advantage and compensate for its own conventional disadvantage. The IRGC will continue to expand its asymmetric capabilities in order to both deter the Gulf States and Israel and to raise the cost for any future U.S. or allied actions in the Persian Gulf. The IRGC will keep investing in armed small boats, coastal defense cruise missiles, submarines, unmanned aerial vehicles, cyber, and other systems that frustrate U.S. and allied capacity to project power into the Persian Gulf or onto Iranian territory. Iran feels it must remind the region and the world of its ability to disrupt or control the Strait of Hormuz, as we have seen with continued harassment U.S. naval vessels and international shipping since the implementation of the JCPOA.

The critical question following the JCPOA is whether Iran can or will use its new resources to successfully modernize its missile, air, air defense, naval and land forces in the coming decades to directly challenge other regional powers or the United States. Will the Islamic Republic be able to decisively upset the balance of power in the region after the nuclear deal?

### **Towards a better non-nuclear sanctions strategy**

How do we then stand up to Iran's destabilizing activities in the region and begin to dismantle Tehran's global terror network?

A re-invigorated economic warfare campaign against the Revolutionary Guard should be one component – along with well-coordinated political, military, intelligence and information campaigns – of a larger U.S. strategy against Iran's malign influence in the region. Since the end of the Iran-Iraq War, the IRGC slowly expanded its role in the Iranian economy with at least 20 percent estimated to be now under the Guard's control. The IRGC owns the state's largest construction firm, Khatam al-Anbiya, and has major stakes in the banking, energy, extractive, and manufacturing sectors. This is how the Guard is able to fuel so much of its operations, from missile and other weapons production, to proxy support worldwide. The United States has also often designated IRGC front companies that help Iran evade sanctions, acquire illicit technologies and transport weapons to partners. The Guard also operates most Iranian ports and is deeply involved in the commercial shipping and aviation sectors, which are critical elements in building and sustaining its proxy and terror networks in the Middle East.<sup>7</sup>

Designating a far greater number of IRGC entities or even the entire IRGC itself as a sanction designee for terrorism or support for terrorism can be a step in the right direction. Strict enforcement of the JCPOA can also support these objectives. Even extremely vigorous application of existing authorities could be applied. But given the vast economic and operational reach of the Revolutionary Guard and the inevitable limitations of the U.S. bureaucracy – and not to mention political will of our allies and partners to enforce secondary sanctions – it will be critical to prioritize our efforts regardless of which approach is taken. Ultimately, Washington needs to ask first what we want to accomplish with our sanctions, rather than focus almost exclusively on the targets and means.

With this in mind, any Iran sanctions strategy to first blunt, then begin to diminish, and eventually erode the very foundations of Iran's destabilizing activities. Consequently, The United States should aim for these objectives:

- **Suppress Iranian military modernization to maintain U.S. and U.S.-allied military superiority around Iran.** Prevent Iran from making major military breakthroughs or shifting the regional balance of power. Shape the security environment, so that Iran must respond to U.S. maneuvering, not the other way around. At all times, Iran must understand that we have escalation dominance in any scenario. Critical to establishing and maintaining our deterrence against Tehran. Some actions could include:
  - Strict enforcement of the JCPOA, non-JCPOA sanctions, and other efforts that erode international financial confidence in Iran which will have secondary effects to suppress defense industrial investment and military modernization.
  - Deter, to the degree possible, Russian, Chinese and other sales of advanced equipment to Iran, through new sanctions or prevent any efforts to evade the United Nations conventional weapons sanctions while they remain.

- **Starve the IRGC’s financial fuel.** The United States must seek to weaken the IRGC’s ability to generate revenue from global markets and incentivize international divestment in IRGC-affiliated businesses. Some actions could include
  - Robust enforcement of the JCPOA and other existing sanctions, particularly focusing on exposing the extent of IRGC ownership activity within the Iranian economy and network of front companies worldwide.
  - New actions against the IRGC could include designation under EO 12234 or expanded actions against IRGC affiliates like Lebanese Hezbollah, a designated foreign terror organization and key facilitator of Iran’s global network of illicit financial activities through certain Lebanese financial institutions.
  
- **Disrupt the IRGC’s logistical abilities.** The IRGC greatly expanded its capacity to move weapons and personnel around the region in the past six years. The United States must improve ways of preventing Iran’s air, land, and sea shipment methods. Some of these actions could include:
  - Further close monitoring and potential new sanctions and designations against Iranian commercial aircraft used by the IRGC for the illicit transport of weapons and personnel into Syria, Iraq, Yemen and elsewhere.
  - Explore opportunities for close monitoring and new sanctions and designation against Iranian commercial shipping, suspected to be used by the IRGC for illicit transport.
  
- **Disrupt and deter Iran’s ballistic missile program.** Iran will not give up or even meaningfully limit its ballistic missiles without an extremely tough fight. The program is too existential to the regime, more so than their nuclear program. We can, however, help push their program more “in the box” by disrupting their technological acquisition through sanctions. Some actions could include:
  - Targeting international and Iranian firms that supply the IRGC and affiliated entities that oversee ballistic missile production
  - Reinforcing existing sanctions and international technology control efforts to prevent the proliferation of key components that could advance Iran’s missile program
  
- **Drive down Iranian internal confidence in the regime.** To the degree that we can, the U.S. should leverage our soft power and expose the regime’s internal contradictions, corruption, massive expenses on overseas activities, human rights violations and. The more Washington and our allies can weaken Tehran’s proxies and undermine the success of Iranian revisionist foreign policy and regional influence, the more elites will doubt the sustainability of the regime’s model and ideologies. Some actions could include:

- Increase designations and other enforcements EO 13553 against the IRGC and other Iranian actors for human rights abuses including those against political dissidents, religious minorities, and others.
  - Focus sanctions and designations against the IRGC to expose their degree of corruption and their extensive criminal and overseas networks
  - Expand sanctions and enforcement of existing sanctions against Iran’s most important proxies, such as Lebanese Hezbollah
- **New sanctions should not legally conflict with the JCPOA.** In its actions, the United States should stick to the “letter” of the JCPOA while simultaneously holding Iran accountable for strict adherence to the deal’s terms, support of terrorism in the region, provocative ballistic missile program development, human rights abuses and other destabilizing regional activities. At the same time, such sanctions can and likely should be part of a broader approach to shape the negotiating environment for successor or supplementary agreements, either bilateral or multilateral.

For nearly four decades, Iran has worked to undermine our allies and reshape the region in its image. No factor fuels sectarianism and breeds instability in the Middle East more than Tehran’s foreign policies and the IRGC’s activities. To combat this critical threat, the United States must arm itself with the will and capacity to follow through on effective strategies, beginning with smarter non-nuclear sanctions.

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<sup>1</sup> Avi Issacharoff, “Israel Raises Hezbollah Rocket Estimate to 150,000,” Times of Israel, November 12, 2015, <http://www.timesofisrael.com/israel-raises-hezbollah-rocket-estimate-to-150000/>.

<sup>2</sup> Marcus Weisgerber, “How Many US Troops Were Killed By Iranian IEDs in Iraq?” DefenseOne, September 8, 2015, <http://www.defenseone.com/news/2015/09/how-many-us-troops-were-killed-iranian-ieds-iraq/120524/>.

<sup>3</sup> Katherine Zimmerman, “Signaling Saudi Arabia: Iranian Support to Yemen’s al Houthis,” AEI Critical Threats Project, April 15, 2016, <http://www.criticalthreats.org/yemen/zimmerman-signaling-saudi-arabia-iranian-support-to-yemen-al-houthis-april-15-2016>.

<sup>4</sup> Paul Bucala and Frederick W. Kagan, “Iran’s Evolving Way of War: How the IRGC Fights in Syria,” AEI Critical Threats Project, March 24, 2016, <http://www.irantracker.org/analysis/bucala-kagan-irans-evolving-way-of-war-how-irgc-fights-in-syria-march-24-2016>.

<sup>5</sup> Retired IRGC Commander Mohammad Ali Al Falaki has coined the term “Shia liberation army” for the collection of partners and militias currently operating under IRGC command in Syria, Iraq, and Yemen. This term has received coverage in both the Persian-language and English-language press, although it does not appear to be in widespread use among Iran’s political leadership at this time. See “Reports: Iran Forms ‘Liberation Army’ to Deploy Abroad,” Al Jazeera, August 20, 2016, <http://www.aljazeera.com/news/2016/08/iran-raises-force-deploy-arab-states-reports-160820061102379.html>; and Amir Toumaj, “IRGC Commander Discusses Afghan Militia, ‘Shia Liberation Army,’ and Syria,” The Long War Journal, August 24, 2016, <http://www.longwarjournal.org/archives/2016/08/irgc-commander-discusses-afghan-militia-shia-liberation-army-and-syria.php>.

<sup>6</sup> In total, the IRI has 13,000 to 15,000 of its proxy forces fighting in Syria in addition to the NDF. In Iraq,

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perhaps 30,000 or more of those 80,000 personnel can be considered direct Iranian proxies consisting of KH, AAH, and Badr Corps. The remaining 50,000 mostly include those who follow Muqtada al Sadr. Across all these groups, Iran could employ approximately 75,000 to 80,000 fighters for direct retaliatory deterrence purposes. The rest conduct secondary deterrence as a bulwark against foreign interference in Iran's sphere of influence.

<sup>7</sup> Greg Bruno, Jayshree Bajoria, and Jonathan Masters, "Iran's Revolutionary Guard," Council on Foreign Relations, June 14, 2013. (<http://www.cfr.org/iran/iransrevolutionary-guards/p14324>); Emanuele Ottolenghi and Saeed Ghasseminejad, "Who Really Controls Iran's Economy?" The National Interest, May 20, 2015. (<http://nationalinterest.org/feature/who-really-controls-irans-economy-12925>); Frederic Wehrey, Jerrold D. Green, Brian Nichiporuk, Alireza Nader, Lydia Hansell, Rasool Nafisi, and S. R. Bohandy, "The Rise of the Pasdaran: Assessing the Domestic Roles of Iran's Islamic Revolutionary Guards Corps," The RAND Corporation, 2009. ([http://www.rand.org/content/dam/rand/pubs/monographs/2008/RAND\\_MG821.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2008/RAND_MG821.pdf)); Mark Gregory, "Expanding Business Empire of Iran's Revolutionary Guards," BBC News (UK), July 26, 2010. (<http://www.bbc.com/news/world-middle-east-10743580>)