

The Iran Nuclear Deal and its Impact on Iran's Islamic Revolutionary Guards Corps

Dr. Emanuele Ottolenghi

Foundation for Defense of Democracies

Center on Sanctions and Illicit Finance

**Hearing before the House Committee on Foreign Affairs
Middle East and North Africa Subcommittee**

Washington, DC

September 17, 2015



Chairman Ros-Lehtinen, Ranking Member Deutch, members of the committee, on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance, I thank you for the opportunity to testify.

This testimony will focus on the impact of the Joint Comprehensive Plan of Action (JCPOA) on Iran's Islamic Revolutionary Guard Corps (IRGC) and its dominant position in Iran's economy.

The IRGC is the custodian of Iran's best-kept military secrets, including its clandestine nuclear military program and ballistic missile program. As the regime's Praetorian Guard, it is also charged with defending the Islamic Revolution from enemies at home and spreading the revolution abroad. Over the years, the IRGC has zealously fulfilled these tasks, quashing pro-democracy protesters inside Iran and sponsoring terrorism and Islamist movements abroad.

The JCPOA dismantles specific United Nations and European Union sanctions, and significantly diminishes the scope and reach of U.S. sanctions.

In doing so, the JCPOA creates a major "stimulus package" for Iran's economy. The IRGC derives much of its domestic clout from its position of dominance within Iran's economy. Thus, the IRGC and the supreme leader's business empire will be the main beneficiaries. Their economic ascendance will fortify their domestic political influence.

As export and trade restrictions are lifted, previously prohibited Western technology will make its way back to Iran. The challenge of denying the IRGC access to banned technology – including dual-use technology and equipment for monitoring dissidents – will become even more arduous. The demise of sanctions will also facilitate the acquisition of advanced weaponry that will improve Tehran's conventional military capabilities, as well as its support for the Bashar al-Assad regime in Syria, Hamas in the Gaza Strip, Hezbollah in Lebanon, and Houthi rebels in Yemen.

To be clear, the United States is set to maintain its sanctions on the IRGC. The JCPOA does not alter them. Moreover, the European Union will not delist most IRGC entities on its sanctions list until Transition Day, roughly eight years from now. But as this testimony explains, once the bulk of Iran sanctions are lifted, the remaining measures against the IRGC are insufficient. They will not isolate the Guards and the supreme leader's business interests from the benefits that the JCPOA will generate.

First, on Implementation Day – likely several months from now – the JCPOA requires the European Union, United States, and United Nations to lift or suspend sanctions against entire sectors of the Iranian economy. The IRGC and the supreme leader's business interests are active in many sectors – some of which they dominate almost completely. IRGC companies will get the lion's share of public contracts and business opportunities.

Second, on Implementation Day, numerous companies will be delisted that have served as accessories to IRGC nuclear and ballistic missile programs, as well as support for the Assad

regime and its crimes against humanity. This includes the entire network of companies and subsidiaries controlled by the supreme leader, as well as Iran's aviation industry and state-owned shipping firms, and companies where the IRGC has a significant ownership interest.

The delisting is not the result of a demonstrable change in these entities' patterns of behavior. Rather, they are being delisted because the JCPOA requires the wholesale lifting of sanctions on entire sectors. There are no guarantees these entities will, once delisted, cease the illicit conduct that caused them to be sanctioned in the first place – instead, there is ample reason to believe they will redouble that activity.

Third, companies owned or controlled by the IRGC that have until now eluded designation by the U.S., EU, or UN are now likely to benefit from the post-JCPOA windfall, as the business community will accept them as legitimate business partners. The same is true for IRGC senior executives that eluded sanctions until now.

Meanwhile, Tehran will challenge every attempt to impose new sanctions, as it did with designations announced by the U.S. Treasury following the November 2013 interim nuclear deal.¹ New sanctions will trigger an Iranian request for consultation with the United States, potentially followed by a referral to the Joint Commission's Working Group, as stipulated under section 7.3 of Annex IV of the JCPOA.² Tehran may also challenge new sanctions under Section 2.1.14. This clause states that the Joint Commission (of which Iran is a member) will review "any issue that a JCPOA participant believes constitutes nonperformance by another JCPOA participant."³

The IRGC and the Supreme Leader's Business Empires

Sanctions against the IRGC were a central component of the complex architecture of punitive and restrictive measures that the U.S., EU, and UN built over the course of the past decade. According to the U.S. Treasury:

"The IRGC has a growing presence in Iran's financial and commercial sectors and extensive economic interests in the defense production, construction, and oil industries, controlling billions of dollars in corporate business...imposing financial sanctions on commercial enterprises of the IRGC has a direct impact on revenues that could be used by the IRGC to facilitate illicit conduct."⁴

¹ Fredrick Dahl & Adrian Croft, "Iran angry over U.S. sanctions, nuclear talks interrupted," *Reuters*, December 13, 2013. (<http://www.reuters.com/article/2013/12/13/us-iran-nuclear-sanctions-idUSBRE9BC0CY20131213>)

² "Joint Comprehensive Plan of Action, Annex IV – Joint Commission" Vienna, July 14, 2015, Section 7.3. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_4_joint_commission_en.pdf)

³ "Joint Comprehensive Plan of Action, Annex IV – Joint Commission" Vienna, July 14, 2015, Section 2.1.14. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_4_joint_commission_en.pdf)

⁴ U.S. Department of the Treasury, Press Release, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities" June 4, 2013. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

The JCPOA reverses that impact by directly and indirectly increasing revenues of the IRGC's commercial enterprises. The JCPOA also lifts sanctions against the "Headquarters for Executing the Order of the Imam" (EIKO), a vast holding company controlled by the supreme leader with assets and commercial operations worth an estimated \$95 billion.⁵ While EIKO is not formally part of the IRGC, it frequently partners with Guard companies. Like the Guard, it has an opaque, parallel quasi-state power structure.

On June 4, 2013, Treasury sanctioned EIKO and 37 of its subsidiaries⁶ – including a number of foreign companies – under Executive Order 13599, which targeted Iran's government-owned entities for posing a threat to the integrity of the international financial system. As Treasury explained:

"EIKO has made tens of billions of dollars in profit for the Iranian regime each year through the exploitation of favorable loan rates from Iranian banks and the sale and management of real estate holdings, including selling property donated to EIKO. EIKO has also confiscated properties in Iran that were owned by Iranians not living in Iran full-time... EIKO has been tasked with assisting the Iranian Government's circumvention of U.S. and international sanctions. Because of this unique mission, EIKO has received all of the funding it needs to facilitate transactions through its access to the Iranian leadership."⁷

U.S. sanctions had a chilling effect on EIKO's business ventures abroad, especially in Europe.⁸ An EIKO subsidiary, Tadbir Energy Group, unsuccessfully bid for a refinery in France in 2012;⁹ and in April 2015, another EIKO bid to buy a refinery in Switzerland was rejected, reportedly due to concerns over U.S. sanctions.¹⁰

With Washington set to delist all of EIKO's subsidiaries on Implementation Day,¹¹ barriers to conducting business with EIKO are already eroding. In January 2015, representatives of two

⁵ Steven Stecklow, Babak Deghghanpisheh & Yeganeh Torbati, "Assets of the Ayatollah", *Reuters*, November 13, 2013. (<http://www.reuters.com/investigates/iran/#article/part1>)

⁶ U.S. Department of Treasury, Resource Center, "Iran Designations," June 4, 2013. (<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20130604.aspx>)

⁷ U.S. Department of Treasury, Press Release, "Treasury Targets Assets of Iranian Leadership" June 4, 2013, (<http://www.treasury.gov/press-center/press-releases/Pages/jl1968.aspx>)

⁸ Emanuele Ottolenghi & Saeed Ghasseminejad, "The Iranian Deep State is Trying to Buy an Oil Refinery in Switzerland Even Before Sanctions Have Been Lifted," *Business Insider*, April 29, 2015. (<http://www.businessinsider.com/iranian-deep-state-trying-to-buy-swiss-oil-refinery-2015-4>)

⁹ Benoit Faucon, "Iran's Tadbir Energy to Bid for French Refinery," *The Wall Street Journal*, July 4, 2012. (<http://www.wsj.com/articles/SB10001424052702303962304577507370495110742>)

¹⁰ Emanuele Ottolenghi & Saeed Ghasseminejad, "The Iranian Deep State is Trying to Buy an Oil Refinery in Switzerland Even Before Sanctions Have Been Lifted," *Business Insider*, April 29, 2015. (<http://www.businessinsider.com/iranian-deep-state-trying-to-buy-swiss-oil-refinery-2015-4>)

¹¹ See Emanuele Ottolenghi & Saeed Ghasseminejad, "Under Iran Agreement, U.S. Will Delist All Entities Controlled by Supreme Leader" *Foundation for Defense of Democracies*, July 27, 2015. (<http://www.defenddemocracy.org/media-hit/ottolenghi-ghasseminejad-us-will-delist-entities-controlled-by-khamenei/>); U.S. restrictions will remain in place against EIKO and its designated subsidiaries for U.S. persons as defined in the JCPOA. According to footnote 6 of Annex II of the JCPOA, "For the purposes of Sections 4 and 6-7

sanctioned EIKO petrochemical companies were in Moscow attending Interplastica, a large plastics and rubber trade fair.¹² In August, a subsidiary of Italy's Finmeccanica signed a \$530-million contract with EIKO subsidiary Ghadir Investment to build an electric power plant in Iran. The deal was signed during an official visit to Tehran by Italy's Economic Development Minister Federica Guidi and Foreign Minister Paolo Gentiloni.¹³ According to the U.S. Treasury, Ghadir is a subsidiary of EIKO.¹⁴

The delisting of EIKO will facilitate more such deals across Europe. It may also weaken the level of scrutiny that export-control authorities have paid to EIKO's subsidiaries.

The arrest of EIKO executive Behrouz Dolatzadeh is a case in point. Dolatzadeh was arrested in Prague in February 2012, and charged by Czech authorities with attempting to buy 3,500 U.S.-made M-4 assault rifles for Iran's military.¹⁵ According to *Reuters*,¹⁶ at the time of his arrest, Dolatzadeh was working for EIKO. He was convicted by a Czech court but then released, in September 2013, upon winning his appeal on a technicality even though Czech prosecutors appealed his release to the Czech Supreme Court.¹⁷

of this JCPOA, the term 'non-U.S. person' means any individual or entity, excluding (i) any United States citizen, permanent resident alien, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States, and (ii) any entity owned or controlled by a U.S. person. For the purposes of (ii) of the preceding sentence, an entity is 'owned or controlled' by a U.S. person if the U.S. person: (i) holds a 50 percent or greater equity interest by vote or value in the entity; (ii) holds a majority of seats on the board of directors of the entity; or (iii) otherwise controls the actions, policies, or personnel decisions of the entity. U.S. persons and U.S.-owned or -controlled foreign entities will continue to be generally prohibited from conducting transactions of the type permitted pursuant to this JCPOA, unless authorised to do so by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC)." "Joint Comprehensive Plan of Action, Annex II – Sanctions related commitments" Vienna, July 14, 2015. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_2_sanctions_related_commitments_en.pdf)

¹² The two companies are Polynar Petrochemical Co. and Ghaed Bassir Petrochemical Products Co. "Powerful Presence of Iranian Petrochemical Companies at Interplastica 2015," *Interplastica*, accessed September 13, 2015. (http://www.interplastica.de/cipp/md_ww2/custom/pub/content,oid,32498/lang,2/ticket,g_u_e_s_t/~Powerful_Presence_of_Iranian_Petrochemical_Companies_at_INTERPLASTICA_2015.html)

¹³ "Iran-Italia: Ministro Guidi, Raggiungimento Intesa per Accordo fra Italiana Fata e Iraniana Ghadir per Centrale Elettrica Combinata" *Agenzia Nova*, August 9, 2015. (<http://www.agenzianova.com/a/0/1191780/2015-08-09/business-news-ministro-guidi-intesa-fra-italiana-fata-e-iraniana-ghadir-per-centrale-elettrica-combinata>)

¹⁴ U.S. Department of Treasury, Press Release, "Treasury Targets Assets of Iranian Leadership" June 4, 2013, (<http://www.treasury.gov/press-center/press-releases/Pages/j11968.aspx>)

¹⁵ "Freight Forwarders Banned, Imprisoned and Fined for Illegal Logistics Operations," *Handy Shipping Guide*, March 1, 2012. (http://www.handyshippingguide.com/shipping-news/freight-forwarders-banned-imprisoned-and-fined-for-illegal-logistics-operations_3494)

¹⁶ Steve Stecklow, "Exclusive: Iranian linked to Setad wanted by the U.S. for attempted arms smuggling," *Reuters*, December 18, 2013. (<http://www.reuters.com/article/2013/12/18/us-setad-fugitive-idUSBRE9BH0D020131218>)

¹⁷ According to Reuters' Steve Stecklow, the Czech court of appeals determined that his conviction was the result of entrapment by U.S. and Czech authorities. See Steve Stecklow, "Exclusive: Iranian linked to Setad wanted by the U.S. for attempted arms smuggling," *Reuters*, December 18, 2013. (<http://www.reuters.com/article/2013/12/18/us-setad-fugitive-idUSBRE9BH0D020131218>)

Although a federal grand jury indicted him in Arizona in February 2012,¹⁸ the U.S. did not request Dolatzadeh's extradition. Nor did Treasury designate the complex web of companies that Dolatzadeh established in Istanbul and in the Georgian cities of Tbilisi and Poti. Corporate entries show that once he was arrested, Dolatzadeh transferred ownership of these companies to another Iranian national, Jafar Kaviani, who is also an executive of a company owned by EIKO.¹⁹ Treasury has taken no action on Kaviani, either.

Worryingly, companies EIKO likely established for the purpose of evading sanctions and helping Iranian procurement efforts will now be subject to even less scrutiny than before the JCPOA.

IRGC Sanctions Windfall on Major Economic Sectors

The JCPOA will lift blanket bans on commercial and financial transactions in entire sectors of Iran's economy. That step contains three elements: sanctioned companies will be delisted by both the EU and U.S.; the EU will allow economic activities with Iran; and U.S. secondary sanctions against these sectors will be removed, continuing only to affect U.S. persons as defined in the agreement.

The lifting of sanctions will further boost Tehran's economic recovery following the temporary easing of sanctions provided by the 2013 interim agreement. According to the World Bank:

"The Iranian economy rebounded out of recession, with growth estimated at 3.0% in 2014 compared to a contraction of 1.7% in 2013. This comes as a result of the temporary and partial easing of sanctions imposed on Iran's oil exports, on the supply chain in key sectors of the economy—such as in the automobiles industry—and on the transactions of international and domestic banks, as well as a rise in consumer and business confidence."²⁰

A recently released report issued by the Foundation for Defense of Democracies and Roubini Global Economics suggests that Iran's future economic growth might be even more vigorous:

"An average growth of more than 4-5% in the three years starting [next year] is plausible if Iranian authorities continue economic reforms and begin to attract investment, and if Tehran is able to significantly boost oil exports."²¹

¹⁸ *United States of America v. Dolatzadeh*, Indictment, 2:12-cr-00258-DGC (D. AZ., February 7 2012).

¹⁹ In June 2013, Dolatzadeh transferred ownership of his shares at Turkish company's Blue Sky General Trading Bilgi Teknolojileri ic ve dis Ticaret Limited Sirketi to Kaviani, who according to the Tehran Chamber of Commerce, Industry and Mines entries (<http://www.tccim.ir/dir/english/CompFullDetail.aspx?cid=49&id=35&pid=35>), is managing director for Ofogh Afroz Ima (<http://www.tejaratalmas.com/images/nl/holding/ofoghaafroz.jpg>), a company owned by EIKO's investing subsidiary Tejarat Almas Mobin (<http://www.tejaratalmas.com/index.html#>).

²⁰ World Bank, Countries, "Iran Country overview," accessed September 8, 2015. (<http://www.worldbank.org/en/country/iran/overview>)

²¹ Mark Dubowitz, Annie Fixler, & Rachel Ziemba, "Iran's Mysterious Shrinking Reserves: Estimating the Value of Tehran's Foreign Assets" *Foundation for Defense of Democracies & Roubini Global Economics*, September 2015.

The IRGC investment portfolio is robust, including substantial shares in 14 companies publicly traded on Tehran's Stock Exchange (TSE) with a combined value of \$17 billion. There are an additional 13 publicly traded companies with significant ownership by the IRGC, Armed Forces, and Basij. (See Appendix I) The Basij is a passive defense civil militia that also serves as an indoctrination tool and is linked to a significant portion of Iran's human rights abuses.

Taken together, these 27 companies are worth more than 20% of the TSE, and are valued at \$16.5 billion.²² Former senior IRGC commanders who have never been subjected to sanctions sit on their boards. These estimates do not account for the hundreds of non-publicly-traded companies in which the IRGC holds controlling stakes.

Automotive Sector

The U.S. Treasury targeted Tehran's automotive sector in June 2013. Then-Undersecretary of the Treasury for Terrorism and Finance Intelligence David Cohen explained that the sector "is a significant contributor to its overall economic activity, generating funds that help prop up the rial and the regime."²³ In January 2014, the interim Joint Plan of Action agreement suspended sanctions against the automotive sector. With the signing of the JCPOA, however, that industry is set to further benefit in two significant ways:

- Easier access to dual-use technology for the automotive sector, which will also benefit from the general improvement of the economy
- Easier access to financing, foreign investment, and technology transfers

The automotive industry relies on dual-use technology, which includes fiber lasers for industrial welding and cutting,²⁴ electron-beam welding machines for automatic transmission systems,²⁵ flow-forming machines for rotational manufacture, and fiber-winding machines for the production of CNG pressure vessels and battery containers.²⁶ These technologies have applications in the aerospace, defense, and nuclear industries. Lifting bans on such exports is

(http://www.defenddemocracy.org/content/uploads/publications/FDDRoubini_Report_Irans_mysterious_shrinking_reserves.pdf)

²² This number is their combined value on August 31, 2015 on the Tehran Stock Exchange (www.tse.ir). See more: Alexi Mostrous, Billy Kenber & Hugh Tomlinson, "Iranian Militia to Grab British Cash," *The Times* (U.K.), August 26, 2015. (<http://www.thetimes.co.uk/tto/news/world/middleeast/article4538125.ece>)

²³ U.S. Department of Treasury, Press Release, "Testimony Of Under Secretary for Terrorism And Financial Intelligence David Cohen Before The Senate Committee On Banking, Housing And Urban Affairs On 'Iran Sanctions: Ensuring Robust Enforcement, And Assessing Next Steps,'" June 4, 2013. (<http://www.treasury.gov/press-center/press-releases/Pages/j11969.aspx>)

²⁴ James Harrington, "Dual-Use Technologies and Export Controls," *U.S. Department of State's Jefferson Science Lecture Series*, March 31, 2009. (<http://www.state.gov/e/stas/series/154211.htm>)

²⁵ "Electron Beam Welding Technology," *EBE Electron Beam Engineering Inc. Company Website*, accessed September 13, 2015. (<http://www.ebeinc.com/Electron-Beam-Technology.html>)

²⁶ "Entec Company Brochure," *Entec Composite Machines Inc. Company Website*, accessed September 13, 2015. (http://entec.com/Entec%20company%20brochure_final.pdf)

problematic, given the regime's significant presence in this sector and considering past cases of Iran's illicit procurement under the guise of automotive sector technology transfers.

In June 2013, the U.S. Treasury sanctioned a German factory, MCS International GmbH, along with its Iranian corporate owner – a religious foundation operating under the umbrella of EIKO.²⁷ MCS – a producer of cylinders for hybrid cars – held a flow-forming machine in its inventory that the regime sought to import to Iran shortly after buying the company in 2003.²⁸

After German authorities denied them an export license, the Iranian owners of MCS frequently sent delegations of Iranian engineers for long periods to MCS in Germany. Eventually, they established a replica of the German factory in Iran, Pars MCS, which Treasury sanctioned in June 2013.

The IRGC is also active in the automotive sector, with five companies listed on the TSE: Bahman Group, Iran Tractor Manufacturing, Iran Tractor Foundry Company, Motorsazan Diesel and Gas Engines, and Iran Casting Industries.

Bahman Group is Iran's third largest carmaker and the proprietor of a license to produce Mazda cars for the domestic market. Bahman Group currently has a market value of approximately \$300 million. It controls 24 companies,²⁹ including a share in Bahman Investment Co., another publicly traded company whose market value is currently estimated at around \$80 million.³⁰ The board has five members, representing five companies. Four companies are IRGC-owned.³¹

The firm is a case study that illustrates how IRGC companies are structured to obfuscate corporate governance information as a means to evade sanctions. The two company shareholders that jointly control Bahman Group – Fan Pardazan Bahman Co. (27.41%) and Andishe Fardah Investment Company (25.62%)³² – are both owned by Bahman Group itself. The identity of the board of directors, however, reveals IRGC control over the company.

²⁷ U.S. Department of Treasury, Press Release, "Treasury Targets Assets of Iranian Leadership," June 4, 2013. (<http://www.treasury.gov/press-center/press-releases/Pages/jl1968.aspx>)

²⁸ Michael Birnbaum & Joby Warrick, "A Mysterious Iranian-run Factory in Germany," *The Washington Post*, April 15, 2013. (https://www.washingtonpost.com/world/europe/a-mysterious-iranian-run-factory-in-germany/2013/04/15/92259d7a-a29f-11e2-82bc-511538ae90a4_story.html)

²⁹ "Ownership Status of Companies," *Bahman Group Company Website*, Accessed September 12, 2015. (<http://www.bahmangroup.com/en/index.php/companies/ownership-status>)

³⁰ Bahman Group owns 32.6% of Bahman Investment.

³¹ "Gorouh-e Bahman (Bahman Group) – Sahamdarān (Shareholders)" *Tehran Stock Exchange*, accessed September 13, 2015. (<http://new.tse.ir/Instrument.html?IRO1BHMN0001>)

³² "Corporate entry for Andishe Fardah Investment Co." *Iran Official Journal*, November 23, 2009. (<http://www.gazette.ir/Detail.asp?NewsID=925341495024623&paperID=951869441925668>)

Company Name	Registration Number	Previous Representative	Current Representative	National Identity Number	Position
Azerbaijan Diesel Vehicle Manufacturers Company (ADVMC) ³³	18527	Masih Mashhadi Tafreshi	Gholam Hossein Taghi Netaj Malekshah	5689642991	Chairman
Andisheh Mehvaran Investment Company (AMIC) ³⁴	203970	Mohammad Reza Soroush	Mohammad Reza Soroush	0569744441	Vice Chairman
Negin Royal Sahel Company (NRHC) ³⁵	322430	Mohammad Eskandari	Kazem Motamedifar	6439554832	Board Member
Tadbir Garan Atieh Iranian Investment (TAII) ³⁶	246077	Seyyed Mehdi Motevalian	Reza Asem Nakhjevani	0041160851	Board Member
Iran Credit Investment Company (ICIC) ³⁷	14046	Ali Rostami	Hadi Agha Babai		Board Member

Bahman Group and the firms that control it are IRGC companies. The same goes for Bahman Group's corporate governance and its 24 subsidiaries, many of which are 100% owned by Bahman Group, including 11 after-sales automobile services companies, five financial investment companies, three energy companies, three trading houses, and one car insurance company.³⁸ Bahman Group has thus far eluded designation, but it is still eligible for designation, even under the JCPOA. Failure to designate Bahman Group will only enrich the IRGC through Iran's automotive sector.

³³ ADVMC is a subsidiary of Iran Tractor Manufacturing Company – itself a subsidiary of Mehr Eghtesad Iranian Investment Company (MEIIC). The latter is a subsidiary of Mehr Eghtesad Bank, owned by the IRGC's Basij Cooperative Foundation and designated by Treasury on June 23, 2011; “*Sherkatha-ye Tabe (Subsidiaries)*,” *Iran Tractor Manufacturing Group*, accessed September 2, 2015 (<http://www.itm.co.ir/ps002t.aspx>); and “*Darbare-ye Ma (About Us)*,” *Iran Tractor Manufacturing Group*, accessed September 2, 2015.

(<http://www.itm.co.ir/pi001t.aspx>); Treasury's designation of Mehr Bank: U.S. Department of Treasury, Press Release, “Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities,” June 23, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

³⁴ AMIC is a subsidiary of Iran Zinc Mines Development Company, which is controlled by MEIIC. “*Sarmaye Gozari-ye Andishe Mehvaran (Andisheh Mehvaran Investment)*,” *Iran Zinc Mines Development Company*, accessed September 2, 2015. (http://izmdc.com/?page_id=121)

³⁵ NRHC's board members are MEII, TAI, and Tajalli Samane Investment Company. The latter is a subsidiary of IRGC-owned Mehr Eghtesad Iranian Brokerage Company. “*Agahiye Taghirat-e Sherkat-e Negin Sahel Royal (Change Bulletin for Negin Sahel Royal Company)*,” *Iranian Official Journal*, January 13, 2013. (<http://www.gazette.ir/Detail.asp?NewsID=917412606859553&paperID=916206452817003>); and *Darbare-ye Ma (About Us)*, *Mehr Eghtesad Iranian Brokerage Company Website*, accessed September 2, 2015. (<http://meibourse.com/?tabid=381>)

³⁶ TAI is a subsidiary of MEIIC: “*Sherkat-e Tadbirgaran-e Atieh (Tadbirgaran Atieh Company)*,” *Mehr Eghtesad Bank*, accessed September 2, 2015. (<http://mebank.ir/index.aspx?siteid=1&pageid=207>)

³⁷ ICIC was, until recently, a subsidiary of Bahman Group.

³⁸ “Ownership Status of Companies,” *Bahman Group Company Website*, Accessed September 12, 2015. (<http://www.bahmangroup.com/en/index.php/companies/ownership-status>)

Oil, Gas, and Petrochemical Sectors

The IRGC will benefit from the end of sanctions against Iran's energy sector in two ways:

- IRGC firms already own important contracts across the entire sector and will win more as foreign capital and technology return to Iran's energy industry.
- The JCPOA will permanently remove barriers to trade in the petrochemical sector, allowing renewed Iranian access to sensitive dual-use technology.

The lifting of energy sanctions will enable Iran to draw investment and foreign companies for both upstream and downstream projects. The Iranian energy sector is also going to benefit from access to Western technology that was previously restricted by EU sanctions— including liquid natural gas technology, refining, and petrochemicals production. IRGC companies now stand to gain from Iran's state-owned energy companies' ability to issue bonds to finance projects, and from the ability of delisted state companies to procure technology for these projects.

South Pars, a vast natural gas field, is a case in point. After EU sanctions pushed European companies out of the field in late 2010, contracts eventually went to IRGC subsidiaries like the Sepanir Oil and Gas Development Company. Sepanir was sanctioned in June 2010 under UN Security Council Resolution 1929, and the U.S. Treasury added it to its list of IRGC-designated entities the same month.³⁹ EU sanctions against Iran's natural gas sector prevented access to technology critical for the development of the project.

These restrictions are set to change under the JCPOA, even as Sepanir will remain under U.S. sanctions, and until Transition Day, will remain under EU sanctions. Much of the procurement and manufacturing of technology is being conducted by Mapna Boiler Co.,⁴⁰ a subsidiary of the Iranian giant Mapna Group, which is under neither EU nor U.S. sanctions, despite being designated by Canada⁴¹ and the United Kingdom⁴² for its ties to the Islamic Republic of Iran's prohibited nuclear and ballistic missile programmes.⁴³

³⁹ U.S. Department of Treasury, Press Release, "Fact Sheet: U.S. Treasury Department Targets Iran's Nuclear and Missile Programs," June 16, 2010. (<http://www.treasury.gov/press-center/press-releases/Pages/tg747.aspx>)

⁴⁰ "Project's Name: South Pars (Phase 15 & 16)," *Projects Website, Mapna Boiler and Equipment Engineering and Manufacturing Company*, accessed September 13, 2015.

(<http://www.mapnaboiler.com/Projects/MapnaBoilerProjects/tabid/258/agentType/View/PropertyID/68/Default.aspx>)

⁴¹ "Special Economic Measures (Iran) Regulations" SOR/2010-165, Amended Version, May 29, 2013. (<http://laws-lois.justice.gc.ca/eng/regulations/sor-2010-165/fulltext.html>)

⁴² Department for Business Innovation & Skills, Export Control Organization, "Guidance Iran List," November 19, 2013. (<https://www.gov.uk/government/publications/iran-list/iran-list>)

⁴³ One of Mapna's subsidiaries, Mapna Turbine Blade Manufacturing Engineering Co., was cited as the end-user for a procurement of dual-use technology in the June 2014 report of the UN Panel of Experts in charge of reporting on the implementation of UN Security Council resolution 1929. Panel of Experts established pursuant to Security Council resolution 1929, United Nations, "Final report of the Panel of Experts established pursuant to resolution 1929 (2010)" June 5, 2014, page 13. (http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/S_2014_394.pdf)

Mapna has an extensive network of overseas procurement offices.⁴⁴ Their ability to expand procurement and help Sepanir is assured by the lifting of sectorial sanctions, which will begin on Implementation Day.

Similarly, the lifting of oil sanctions, including access to sector-specific technology, will benefit the IRGC-owned National Iran Oil Company (NIOC) and its many subsidiaries, which the EU is set to delist on Implementation Day. For example, the South Yaran oil field, a project owned by NIOC's subsidiary the Petroleum Engineering Development Company (PEDEC). Production at South Yaran is set to begin in mid-2016 and will yield approximately 50,000 barrels per day.⁴⁵ According to *Fars News*, "National Iranian Drilling Company (NIDC), Puya Energy Kish, Naft Kar and Khatam al-Anbia Construction Headquarters are in charge of drilling."⁴⁶ These are all IRGC companies that stand to gain experience and contracts, as Iran seeks to make up for lost time and investment in its energy sector.

Iran's petrochemical products are, after oil, the country's largest source of foreign income and its second-leading export. While not a majority owner in any of the petrochemical companies publicly traded on the TSE, the IRGC holds major stakes in:

- Kermanshah Petrochemical Industries Co. (market value: \$362.6 million)⁴⁷
- Pardis Petrochemical Co. (market value: \$1.62 billion)⁴⁸
- Parsian Oil & Gas Development Co. (market value: \$2.6 billion)⁴⁹
- Shiraz Petrochemical Co. (market value: \$527.8 million)⁵⁰

⁴⁴ Mapna International FZE (UAE), Mapna International Shanghai (China), Mapna Europe GmbH (Germany), Mapna Italia srl (Italy), Energy Trading Elektrik Sanayi ve Ticaret Limited Sirketi and Ms Uluslararası Enerji Yatırım Anonim Şirketi (Turkey), and Kura Industrial Trading LLC (Republic of Georgia). Corporate entries for Mapna Europe GmbH are available at Germany's commercial registry portal (www.handelsregister.de); Mapna Italia are available at Italy's commercial registry (www.registroimprese.it); Mapna subsidiaries in Turkey are available from the website of Istanbul's Chamber of Commerce (www.ito.org.tr); entries for Kura Industrial Trading LLC, showing that Kura is a wholly owned subsidiary of Elektrik Sanayi are available from the official Georgian commercial registry (<http://enreg.reestri.gov.ge>).

⁴⁵ "Drilling of South Yaran Oil Field Kicked Off," *Petroleum Engineering and Development Company*, August 1, 2013. (<http://pedec.ir/en/detail=2510>)

⁴⁶ "South Yaran Operational by March 2016," *Fars News*, August 3, 2015. (<http://english.farsnews.com/newstext.aspx?nn=13940511000976>)

⁴⁷ "Sanaye Petrochimi-e Kermanshah (Kermanshah Petrochemical Industries) – Sahamdarān (Shareholders)" *Tehran Securities Exchange Technology Management Company*, accessed September 13, 2015. (<http://www.tsetmc.com/Loader.aspx?ParTree=151311&i=38437201078089290#>).

⁴⁸ "Petrochimi-ye Pardis (Pardis Petrochemical) – Sahamdarān (Shareholders)," *Tehran Securities Exchange Technology Management Company*, accessed September 13, 2015. (<http://www.tsetmc.com/Loader.aspx?ParTree=151311&i=20562694899904339#>)

⁴⁹ "Gostaresh Naft va-Gaz Parsian (Parsian Oil and Gas Development Co.) – Sahamdarān (Shareholders)," *Tehran Securities Exchange Technology Management Company*, accessed September 13, 2015. (<http://www.tsetmc.com/Loader.aspx?ParTree=151311&i=23441366113375722#>)

Revenue from dividends and interest generated by these investments goes to pay retirement funds, insurance, and social security for military personnel and their families. Growth in revenue from these investments means assured resources to support members of the IRGC – including the Quds Force and Basij – and their families.

The Guards can also benefit from the lifting of sanctions against technology transfers to Iran, especially given their dual-use applications.

Western sanctions against Iran's petrochemical sector date back to the United Nations Security Council Resolution 1929 in 2010.⁵¹ In its preamble, UNSCR 1929 noted:

“[T]he potential connection between Iran's revenues derived from its energy sector and the funding of Iran's proliferation-sensitive nuclear activities, and *further noting* that chemical process equipment and materials required for the petrochemical industry have much in common with those required for certain sensitive nuclear fuel cycle activities.”

The European Union sanctioned Iran's petrochemical sector in March 2012. EU sanctions targeted both Iranian exports of petrochemical products (as well as associated services) and Iranian imports of technology for the petrochemical sector. The U.S. Treasury blacklisted eight Iranian petrochemical companies in May 2013.⁵²

The November 2013 Joint Plan of Action interim agreement suspended sanctions against Iranian exports of petrochemicals, enabling 14 companies to sell their products.⁵³ That agreement left in place sanctions against Iranian purchases of technology. The JCPOA will give Iranian petrochemical companies, including those owned by the IRGC, access to sensitive dual-use technology.

⁵⁰ “*Petrochimi-e Shiraz* (Shiraz Petrochemical) – *Sahamdarán* (Shareholders),” *Tehran Securities Exchange Technology Management Company*, accessed September 13, 2015.

(<http://www.tsetmc.com/Loader.aspx?ParTree=151311&i=38568786927478796#>)

⁵¹ United Nations Security Council, “Resolution 1929 (2010),” June 9, 2010.

(http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1929%282010%29)

⁵² U.S. Department of Treasury, Press Release, “U.S. Announces New Sanctions against Iran” May 31, 2013

(<http://www.treasury.gov/press-center/press-releases/Pages/jl1965.aspx>); U.S. Department of State, Spokesperson, “Companies Sanctioned under Iran Sanctions Authorities,” May 31, 2013.

(<http://www.state.gov/r/pa/prs/ps/2013/05/210147.htm>)

⁵³ U.S. Department of State, Office of the Spokesperson, “Guidance Relating to the Provision of Certain Temporary Sanctions Relief in Order to Implement the Joint Plan of Action Reached on November 24, 2013, Between the P5+1 and the Islamic Republic of Iran,” January 20, 2014.

(<http://www.state.gov/p/nea/rls/220049.htm>); The companies were: (1) Bandar Imam Petrochemical Company; (2) Bou Ali Sina Petrochemical Company; (3) Ghaed Bassir Petrochemical Products Company; (4) Iran Petrochemical Commercial Company; (5) Jam Petrochemical Company; (6) Marjan Petrochemical Company; (7) Mobin Petrochemical Company; (8) National Petrochemical Company; (9) Nouri Petrochemical Company; (10) Pars Petrochemical Company; (11) Sadaf Petrochemical Assaluyeh Company; (12) Shahid Tondgooyan Petrochemical Company; (13) Shazand Petrochemical Company; and (14) Tabriz Petrochemical Company. Ghaed Bassir Petrochemical Products Company is a subsidiary of the Headquarters of the Execution of the Imam Khomeini Order.

Metals and Minerals

Iran's mining sector is an important source of revenue for the country's economy as well as a supplier of raw materials for its developing industry. According to the Organization for Investment Economic and Technical Assistance of Iran, "Iran has the world's largest zinc reserves and second-largest reserves of copper."⁵⁴

The publicly traded Iran Zinc Mines Development Company (IZMDCO) is the principal owner and producer of Iranian zinc, with an \$80-million market value and control of an important chunk of the country's extractive activities. With the lifting of sanctions against the Islamic Republic's banking and transport sectors, Iranian metals and minerals exports will become a more affordable option for international buyers. IZMDCO, which is majority-owned by the IRGC,⁵⁵ will thus benefit from the general climate of economic improvement, access to modern extraction technology, financing, cheaper delivery costs, and potentially foreign investment.

The metallurgic sector is also critical to Iran's economic health. Iran's largest aluminum producer, Iran Aluminum Company or IRALCO, was sanctioned by the European Union in December 2012 because it assisted "designated entities to violate the provisions of UN and EU sanctions on Iran and is directly supporting Iran's proliferation sensitive nuclear activities. As of mid-2012 IRALCO had a contract to supply aluminum to EU-designated Iran Centrifuge Technology Company."⁵⁶ Because IRALCO was sanctioned for nuclear-related activities alone, the EU will delist it on Implementation Day. The U.S. never designated IRALCO, and therefore has no secondary sanctions against the firm. According to IRALCO's July 2015 report, the IRGC-owned (and U.S.-sanctioned) Mehr Eghtesad Iranian Investment owns 20% of the company.⁵⁷

IRALCO, which supplied the Iranian nuclear program with aluminum to build centrifuges – and whose revenues help fill the IRGC's financial coffers – is now slated to benefit from the economic boom the JCPOA will generate.

⁵⁴ "Industry and Mining – Overview" *Invest in Iran/Organization for Investment Economic and Technical Assistance of Iran website*, accessed September 13, 2015. (<http://www.investiniran.ir/en/sectors/industry>)

⁵⁵ "Toseyeh Ma'adan Rouyeh Iran – Sahamdarān (Iran Zinc Mines Development Company - Shareholders)," *Tehran Securities Exchange Technology Management Company*, accessed September 13, 2015. (<http://www.tsetmc.com/Loader.aspx?ParTree=151311&i=22787503301679573>); The IRGC owns a combined 51.8% of IZMDCO through five companies: Mehr Eghtesad Financial Group (18.4%), Mehr Eghtesad Iranian Investment Company (18.39%), Tadbir Garan Atieh Iranian Investment Company (9.11%), Negin Sahel Royal Company (3.26%), and the mineral company Calcimin (2.65%).

⁵⁶ "Council Implementing Regulation (EU) No 1264/2012 of 21 December 2012 implementing Regulation (EU) No 267/2012 concerning restrictive measures against Iran," *Official Journal of the European Union*, December 22, 2012, page 356/57, entry No. 6. (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:356:0055:0060:en:PDF>)

⁵⁷ Treasury sanctioned Mehr Eghtesad for being owned by Mehr Bank, another subsidiary of the IRGC. U.S. Department of Treasury, Press Release, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities," June 23, 2011 (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>); and U.S. Department of Treasury, Press Release, "Fact Sheet: Treasury Designates Iranian Entities Tied to the IRGC and IRISL," December 21, 2010. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1010.aspx>)

Telecommunications

Another sector where the IRGC is bound to reap economic benefits is telecommunications. The IRGC controls Iran's largest telecom company, the Telecommunication Company of Iran or TCI.⁵⁸ The Guards bought the formerly government-owned company in September 2009 in a controversial bid that at the last minute disqualified the only non-IRGC offer.⁵⁹ TCI's main shareholder is now Toseye Etemad Mobin (50%), a company controlled by the IRGC jointly with the supreme leader's financial network, through two companies – the Tadbir Group-owned Gostaresh Electronic Mobin and Shahriar Mahestan Company.

TCI has a monopoly over Iran's landlines, and thus controls much of the country's Internet traffic. As *Al-Monitor* reported in August 2013, all three mobile operators in Iran are directly or indirectly partners with IRGC-affiliated companies.⁶⁰

The IRGC will also now be in a position to benefit from sensitive monitoring technology it can put to its advantage to enhance its surveillance abilities against the country's dissidents. *Reuters* reported in 2012 that China's ZTE Corporation sold TCI "a powerful surveillance system capable of monitoring landline, mobile and internet communications."⁶¹ TCI was never sanctioned by the U.S. or EU, either for its IRGC ownership or potential role in humanrights violations. Instead, the U.S. Department of State in 2013 designated an IRGC-subsiary, Ofogh Saber Engineering Development Company, under Executive Order 13628, for its "material support to censorship or other activities" in the 2009 security crackdown.⁶² The subsidiary remains under sanctions, but the State Department did not explicitly identify the firm as an IRGC firm.

Iran's telecom sector will attract foreign investment and gain significant access to advanced technology. The IRGC will thus increase revenue, as well as its ability to spy on and censor its citizens, under the JCPOA.

⁵⁸ Michael Slackman, "Elite Guard in Iran Tightens Grip with Media Move," *The New York Times*, October 8, 2009. (http://www.nytimes.com/2009/10/09/world/middleeast/09iran.html?_r=0)

⁵⁹ Robin Wright, editor, *The Iran Primer*, (Washington, DC: United States Institute of Peace, 2010), page 55.

⁶⁰ Khouroush Avaei, "What to expect in Iran's Telecom Sector," *Al-Monitor*, August 18, 2013. (<http://www.al-monitor.com/pulse/originals/2013/08/expect-iran-telecom-sector.html#>)

⁶¹ Steve Stecklow, "Special Report: Chinese Firm helps Iran spy on its Citizens," *Reuters*, 22 March 2012. (<http://www.reuters.com/article/2012/03/22/us-iran-telecoms-idUSBRE82L0B820120322>)

⁶² U.S. Department of State, Office of the Spokesperson, "United States Takes Action to Facilitate Communications by the Iranian People and Targets Iranian Government Censorship," May 30, 2013. (<http://www.state.gov/r/pa/prs/ps/2013/05/210102.htm>)

Transport

The IRGC is also set to benefit from the lifting of sanctions against the transport sector in three ways:

- The IRGC has relied on Iran's largest shipping and aviation companies – including the state-owned Islamic Republic of Iran Shipping Lines (IRISL) and its subsidiaries, and the state-owned Iran Air⁶³ – to carry military equipment and personnel to proxies abroad. Both companies are now being delisted by the U.S. and EU.⁶⁴
- The U.S. commitment to lift restrictions on sales of aircraft, spare parts, and maintenance services will allow the Iran Air fleet – which the U.S. Treasury sanctioned as an accessory to war crimes in Syria – to improve the quality and reliability of its air services to its customers, including the IRGC.
- The IRGC controls and manages most Iranian commercial ports. Although its biggest port operator, Tidewater Middle East PLC, remains under U.S. and EU sanctions until Transition Day, the inevitable increase in shipping prompted by the lifting of sanctions will enrich IRGC-owned companies managing container terminals and port services.
- The IRGC is involved in transportation-related infrastructure projects nationwide including railway networks, port expansion, highway improvement, and high-velocity trains. The lifting of sanctions will provide better access to financing, technology transfers, and international partners for these IRGC projects.

Recent contracts issued by the Islamic Republic of Iran Railways illustrate how it is impossible to insulate the IRGC from the lifting of sectorial bans. In February 2015, work began on a \$2.7-billion project to link Tehran to Isfahan by high-speed railway. The project is spearheaded by the China Railway Engineering Corporation, together with the U.S.-, EU-, and UN-sanctioned construction giant Khatam al-Anbiya. Financing will come partially from Iran's Bank of Industry

⁶³ According to Treasury, "Iran Air has shipped military-related equipment on behalf of the IRGC since 2006, and in September and November 2008, Iran Air shipped aircraft-related raw materials to a MODAFL-associated company, including titanium sheets, which have dual-use military applications and can be used in support of advanced weapons programs. Rockets or missiles have been transported via Iran Air passenger aircraft, and IRGC officers occasionally take control over Iran Air flights carrying special IRGC-related cargo. The IRGC is also known to disguise and manifest such shipments as medicine and generic spare parts, and IRGC officers have discouraged Iran Air pilots from inspecting potentially dangerous IRGC-related cargo being carried aboard a commercial Iran Air aircraft, including to Syria. Additionally, commercial Iran Air flights have also been used to transport missile or rocket components to Syria;" U.S. Department of Treasury, Press Release, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities" June 23, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>).

⁶⁴ U.S. Department of Treasury, Press Release, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities," June 23, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>).

and Mine,⁶⁵ a government-owned entity that the U.S. Treasury sanctioned in 2011⁶⁶ and the EU sanctioned in 2012, but which will be removed from both sanctions lists on Implementation Day.

A few days before the JCPOA was signed, Iran's railways authorities announced another deal to revamp train stations in Tehran, Qom, and Mashhad.⁶⁷ The contract, awarded to French state-owned company AREP, is part of a \$25-billion project to modernize Iran's railways. In the words of Mohsen Pourseyed-Aqa'ie, the head of the Islamic Republic of Iran Railways, "All the contracting work for construction and upgrades would be carried out by Iranian companies, with outside companies brought in for design work and other kinds of consultancy."⁶⁸ We can expect IRGC firms to benefit.

The lifting of aviation restrictions poses other challenges. Under Section 5.1.1 of the JCPOA's Annex II, Washington will "allow for the sale of commercial passenger aircraft and related parts and services to Iran," as well as the export, lease, and transfer of aircraft, and the provision of associated services to aircraft, provided they are "for exclusively civil aviation end-use."⁶⁹

This provision is designed to allow Iranian airlines to modernize their aging fleet⁷⁰ while warning them of the risks involved in serving as fronts for entities still on Treasury's Specially Designated Nationals (SDN) list and in lending their planes for logistical support of terrorism abroad. Iranian airlines like Mahan Air and Yas Air, which Washington has targeted for ferrying weapons and personnel to Syria, will remain under U.S. sanctions. On Implementation Day, however, the U.S. will delist Aban Air, Iran Air, and Iranair Tours – three other Iranian airlines previously involved in such conduct.

Aban Air was designated under Executive Order 13382 in May 2013 for providing support to Iran Air and the IRGC. According to Treasury, "the IRGC used Aban Air to clandestinely ship cargo to and from Iran."⁷¹ Yet Aban Air, according to the JCPOA, will be able to modernize its fleet without any guarantee that it will not engage in similar activities in the future.

⁶⁵ Iran's Bank of Industry and Mine, Press Release, "President Rouhani Officially Starts Tehran-Isfahan High-Speed Rail Project," March 3, 2015. (<http://en.bim.ir/detail/p10088872.bim>)

⁶⁶ U.S. Department of Treasury, Press Release, "Treasury Designates Iranian State-Owned Bank for Facilitating Iran's Proliferation Activities," May 17, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1178.aspx>)

⁶⁷ David Rogers, "French Transport Consultant Wins First Contract in \$25bn Iranian Rail programme," *Global Construction Review*, July 6, 2015. (<http://www.globalconstructionreview.com/news/french-transp8rt-con6su0l6t4a2nt8-0w6i4n2s-fi8r8st/>.)

⁶⁸ David Rogers, "French transport Consultant Wins First Contract in \$25bn Iranian Rail programme," *Global Construction Review*, July 6, 2015, <http://www.globalconstructionreview.com/news/french-transp8rt-con6su0l6t4a2nt8-0w6i4n2s-fi8r8st/>.

⁶⁹ "Joint Comprehensive Plan of Action – Annex II – Sanctions related commitments," July 14, 2015, Section 5.1.1. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_2_sanctions_related_commitments_en.pdf)

⁷⁰ Aaron S. Goldblatt & Roozbeh Aliabadi, "How Sanctions Relief will impact Iran's Civil Aviation Industry," *The Hill*, June 5, 2014. (<http://thehill.com/blogs/congress-blog/foreign-policy/208085-how-sanctions-relief-will-impact-irans-civil-aviation>)

⁷¹ U.S. Department of Treasury, Press Release, "Treasury Announces New Sanctions against Iran," May 23, 2013. (<http://www.treasury.gov/press-center/press-releases/Pages/jl1955.aspx>)

Iran Air and Iran Air Tours (a subsidiary of Iran Air) were both designated in 2011 under Executive Order 13382.⁷² According to Treasury, their practices, including “disguis[ing]...weapons shipments as medicine and generic spare parts” to Syria, are in clear contravention of international aviation safety standards. However, Iran Air’s support for the IRGC’s ongoing war efforts in Syria did not keep these two airlines listed.

Yas Air (now called Pouya Air), which will remain under sanctions, was designated in 2012 under Executive Order 13224 for acting “on behalf of the IRGC-QF [Quds Force] to transport illicit cargo – including weapons – to Iran’s clients in the Levant.”⁷³ According to Treasury, Yas Air “has moved IRGC-QF personnel and weapons under the cover of humanitarian aid.”⁷⁴

Mahan Air, which will also remain sanctioned under the JCPOA, was designated in October 2011 under Executive Order 13224 “for providing financial, material and technological support” to the Quds Force, including ferrying personnel and weapons to Syria.⁷⁵ That involvement in Syria appears to continue. In September 2015, two Mahan Air aircraft flew from Tehran to Abadan and, after a quick stopover, continued to Syria.⁷⁶ The first landed in Damascus and the second in Latakia (see images below), where the IRGC reportedly has a military base. Neither flight is advertised by the airline or can be purchased by regular passengers.

Remarkably, because only the U.S. sanctions will remain, Mahan Air can fly to more than a dozen European destinations and has recently announced the expansion of its European routes,⁷⁷ with the airline servicing some destinations with planes it acquired last May in violation of U.S. sanctions.⁷⁸

⁷² U.S. Department of Treasury, Press Release, “Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities,” June 23, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

⁷³ U.S. Department of Treasury, Press Release, “Treasury Targets Iranian Arms Shipments,” March 27, 2012. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1506.aspx>)

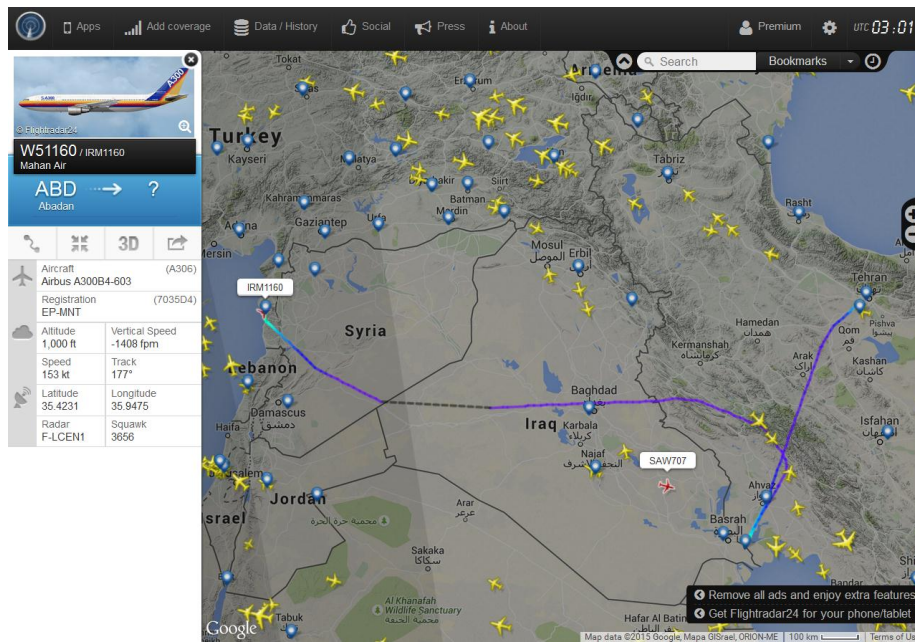
⁷⁴ U.S. Department of Treasury, Press Release, “Treasury Designates Syrian Entity, Others Involved in Arms and Communications Procurement Networks and Identifies Blocked Iranian Aircraft,” September 19, 2012. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1714.aspx>)

⁷⁵ U.S. Department of Treasury, Press Release, “Treasury Designates Iranian Commercial Airline Linked to Iran’s Support for Terrorism,” October 12, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1322.aspx>)

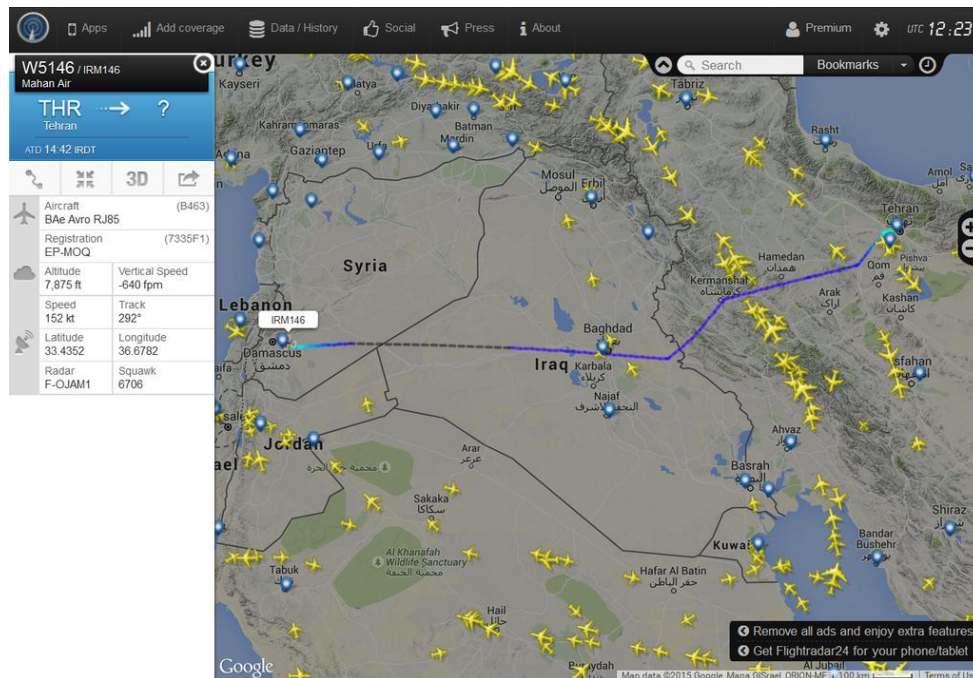
⁷⁶ The aircraft registration numbers were EP-MNT and EP-MNV.

⁷⁷ The new routes are: Tehran-Moscow, Tehran-St. Petersburg, Tehran-Sochi, Tehran-Athens and Tehran-Milan: “Mahan Air announces six new international routes” *CAPA Center for Aviation Website*, May 20, 2015. (<http://centreforaviation.com/members/direct-news/mahan-air-opens-6-new-international-routes-from-may-142015-225574>)

⁷⁸ U.S. Department of Treasury, Press Release, “Treasury Department Targets Those Involved in Iranian Scheme to Purchase Airplanes,” May 21, 2015. (<http://www.treasury.gov/press-center/press-releases/Pages/j110061.aspx>). According to data available on the commercial website www.flightradar24.com, Mahan’s sanctioned aircraft tail registration EP-MMH flew into Athens on 6 September, 2015; EP-MMI flew into Munich on September 2, 2015.

Image 1: Mahan Air aircraft EP-MNT flies to Latakia (September 4, 2015)

A screenshot from FlightRadar24, a commercial flight tracker, shows Mahan Air's EP-MNT flight path from Tehran to Abadan and onto Latakia in the early morning hours of September 4, 2015.

Image 2: Mahan Air aircraft EP-MOQ lands in Damascus (September 14, 2015)

A screenshot from FlightRadar24, a commercial flight tracker, shows Mahan Air's EP-MOQ flight path from Tehran to Damascus in the afternoon of September 14, 2015.

Construction

The IRGC construction arm, Khatam al-Anbiya, employs over 135,000 people, works with over 5,000 contractors, and reportedly has over 800 reported subsidiaries.⁷⁹ Among its projects are 51 contracts with the Oil Ministry worth more than \$17 billion;⁸⁰ the \$2-billion Bakhtiari Dam⁸¹ – slated to be the tallest in the world; the \$3-billion “shrine-to-shrine” highway⁸² connecting Qom and Mashhad; and a Tehran metro line that is part of a \$7-billion metro-expansion program.⁸³

Sepasad, one of Khatam al-Anbiya’s subsidiaries, is developing several metro projects to lengthen and improve commuters’ connections to Tehran and its international airport from satellite towns. It is also the contractor for the Moshampa Dam.⁸⁴

The anticipated increase in public spending to modernize and improve Iran’s aging infrastructure will no doubt lead to public tenders for large projects. KAA will be the primary beneficiary. While the Obama Administration may be correct in noting that the bulk of the \$100 billion in sanctions relief will flow to construction projects and not go directly to terrorist proxies, it is reasonable to assume that much of it will flow through the IRGC’s construction arms and therefore make its way to terrorist coffers.

Banking and financial Provisions

On Implementation Day, the European Union will:

- Delist most Iranian banks that it sanctioned over the past decade
- Lift restrictions on banking transactions to and from Iran, including the €40,000 cap per transaction and the obligation to report and authorize transactions
- Lift restrictions on messaging services for financial transactions, thereby allowing the return of most Iranian banks to the SWIFT network
- Lift restrictions on financial support for trade with Iran
- Lift restrictions on Iranian government public-guaranteed bonds⁸⁵

⁷⁹ Massimo Calabresi, “New Iranian Sanctions Target Revolutionary Guards,” *Time Magazine*, June 10, 2010. (<http://content.time.com/time/magazine/article/0,9171,1995869,00.html>)

⁸⁰ Nargas Rasooli, “51 Gharardad bein Vezarae Naft va Majmooe-ye Khatam Basteh Shod (51 Contracts Signed between the Ministry of Petroleum and Khatam al-Anbiya),” *Magiran*, May 23, 2012. (<http://www.magiran.com/npview.asp?ID=2507886>)

⁸¹ “Bakhtiari Project – Project Introduction,” *Iran Power & Water Resources Development Company Website*, accessed September 13, 2015. (<http://en.iwpco.ir/Bakhtiari/default.aspx>)

⁸² “Shrine to Shrine Highway Project Starts,” *Press TV*, October 10, 2010. (<http://edition.presstv.ir/detail/145999.html>)

⁸³ Ladane Nasser, “Tehran to End Initial \$7 Billion Metro Expansion by March,” *Bloomberg*, October 22, 2014. (<http://www.bloomberg.com/news/articles/2014-10-22/tehran-to-end-initial-7-billion-metro-expansion-by-march>)

⁸⁴ “Projeh Sad Mahzani va Band Tansimi Moshampa (Moshampa Dam Construction Project),” *Sepasad Company Website* accessed September 13, 2015. (<http://www.sepasad.ir/fa/index.php/moshampa-dam-project>)

The U.S. will also move to terminate financial sanctions against most Iranian financial institutions. However, these banks will remain subject to restrictions for U.S. persons. According to the JCPOA, “U.S. persons and foreign entities owned or controlled by a U.S. person will continue to be prohibited from transactions with these individuals and entities, pursuant to the Iranian Transactions and Sanctions Regulations.”⁸⁶

The rest of the world, however, will be able to interact with these financial institutions. By allowing these banks to reconnect to the global financial system and lifting restrictions on their operations, the agreement will allow all unsanctioned IRGC companies to regain access to the global financial system by using delisted banks to transact their business. That is sufficient to enable the Guards to resume banking operations in Europe. Iranian banks, in turn, will be able to raise capital through Iranian government public-guaranteed bonds, which will finance public projects contracted to IRGC companies.⁸⁷ Finally, as Iran’s economy improves, IRGC investment firms’ portfolios will grow as a result.

The U.S.-sanctioned Mehr Eghtesad Iranian Investment Company is one illustrative case. In addition to its aforementioned role as a major shareholder of IRALCO, Iran’s largest aluminum producer, the firm also has shares in Isfahan Mobarakeh Steel,⁸⁸ Tecnotar,⁸⁹ and the Zinc Mines Development Company.⁹⁰ Mehr Eghtesad may still be sanctioned, but its investments are not. There is no way the JCPOA can prevent the company from cashing in on its investments and using revenue from them to fund IRGC military activities.

There are also IRGC investment firms that are *not* sanctioned, like Tadbir Garan Atieh Iranian Investment Company. Not only will these companies now increase their income from investments, but they will also be able to invest their assets abroad as well.⁹¹

⁸⁵ “Joint Comprehensive Plan of Action, Annex II – Sanctions-related commitments,” Vienna, July 14, 2015.

(http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_2_sanctions_related_commitments_en.pdf)

⁸⁶ These are the entities marked by an asterisk in Annex II, Attachment 3, of the JCPOA: “Joint Comprehensive Plan of Action, Annex II – Attachments,” Vienna, July 14, 2015, Attachment 3, page 1. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_1_attachments_en.pdf)

⁸⁷ Iran has already announced a \$1.7 billion bond issue for the current calendar year to help finance energy sector projects: “Iran to sell bonds for key energy plans,” *Press TV*, August 25, 2015.

(<http://www.presstv.com/Detail/2015/08/25/426235/Iran-to-sell-bonds-for-key-energy-plans>)

⁸⁸ “Foolad-e Mobarakeh Isfahan (Isfahan Mobarakeh Steel),” *Tehran Stock Exchange*, accessed September 15, 2015. (<http://new.tse.ir/Instrument.html?IRO1FOLD0001>)

⁸⁹ “Technotar – Sahamdarān (Shareholders),” *Tehran Stock Exchange*, accessed September 13, 2015. (<http://new.tse.ir/Instrument.html?IRO1TKNO0001>)

⁹⁰ “Toseyeh Ma’adan Rouyeh Iran (Iran Zinc Mines Development Co.) – Sahamdarān (Shareholders),” *Tehran Stock Exchange*, accessed September 13, 2015. (<http://new.tse.ir/Instrument.html?IRO1ROOI0001>)

⁹¹ It owns shares in Zinc Mines Development Company, Exir Pharmaceutical, Behbahan Cement, Sina Kashi and Ceramic, Rayan Saipa Leasing, Isfahan Oil Refinery and Kaveh Paper Industries. Their corporate entries can be found here: “Darousazi Exir (Exir Pharmaceutical) – Sahamdarān (Shareholders),” *Tehran Stock Exchange*, accessed September 13, 2015. (<http://new.tse.ir/Instrument.html?IRO1EXIR0001>); “Sanaye Kaghzesazi Kaveh (Kaveh Paper Industries) – Sahamdarān (Shareholders),” *Tehran Stock Exchange*, accessed September 13, 2015. (<http://new.tse.ir/Instrument.html?IRO1KSKA0001>); “Palayesh Naft Esfahan (Isfahan Oil Refinery) – Sahamdarān (Shareholders),” *Tehran Stock Exchange*, accessed September 13, 2015.

IRGC Entities that Eluded Sanctions

Most IRGC-linked companies were never identified as such by EU or U.S. authorities. Companies not designated by U.S., EU, or UN are now likely to benefit from the economic windfall because the international business community will presume that Iranian companies not listed are legitimate business partners. These include both publicly traded and private companies, which can now benefit from the lifting of sanctions in three ways:

- Trade with Western purchasers and procure technology from Western suppliers, including dual-use technology
- Renewed ability to gain access to financial services, including the ability to invest in foreign securities
- General economic improvement in the country, facilitating new contracts and public tenders

These companies will also now be able to send senior executives – many of them former IRGC commanders – to represent them overseas.

Technically speaking, subsidiaries of designated companies are all under sanctions, and no company or financial institution is likely to risk transacting with an entity on a U.S. or EU sanctions list. In theory, Iranian entities that are not listed may still draw enhanced scrutiny from anti-money laundering and compliance authorities. In practice, however, the global business community looks to the U.S. Treasury for guidance and will assume that what is not explicitly forbidden is allowed.

Treasury has acknowledged this role. When on February 20, 2010, Treasury designated⁹² a number of subsidiaries of the IRGC's construction conglomerate Khatam al-Anbiya, then-Undersecretary of Treasury for Terror Finance Intelligence, Stuart Levy, said that "Today's action exposing Khatam al-Anbiya subsidiaries will help firms worldwide avoid business that ultimately benefits the IRGC and its dangerous activities."⁹³

The IRGC, its investment arm the IRGC Cooperative Foundation, and its construction conglomerate Khatam al-Anbiya are all unlikely to be sought out as business partners by Western firms. The IRGC-controlled Basij Cooperative Foundation, however, is not sanctioned. Of the

(<http://new.tse.ir/Instrument.html?IRO1PNES0001>); "Leasing Rayan Saipa – *Sahamdar* (Shareholders)," *Tehran Stock Exchange*, accessed September 13, 2015. (<http://new.tse.ir/Instrument.html?IRO1RSAP0001>); "*Siman Behbahan* (Behbahan Cement) – *Sahamdar* (Shareholders)," *Tehran Stock Exchange*, accessed September 13, 2015. (<http://new.tse.ir/Instrument.html?IRO1SBHN0001>).

⁹² U.S. Department of Treasury, Press Center, Press Release, "Treasury Targets Iran's Islamic Revolutionary Guards Corps," February 10, 2010. (<http://www.treasury.gov/press-center/press-releases/Pages/tg539.aspx>)

⁹³ The four Khatam Al-Anbiya's subsidiaries are Fater Engineering Institute, Imensazen Consultant Engineers Institute (ICEI), Makin Institute, and Rahab Institute.

hundreds of companies controlled by Khatam Al-Anbiya and the two cooperative foundations, only a handful were ever identified and designated.

The gap between designated IRGC companies and those that have eluded U.S. or EU sanctions is wide, creating a window for the latter to now participate in the JCPOA economic windfall.

Over the years, Treasury has listed 19 individuals, 23 companies (not including the National Iran Oil Company and its subsidiaries), four military entities (the IRGC, its air force, its missile command, and its Quds Force), and two academic institutions. Additional listings have targeted companies, such as Iran Air, for providing logistical and financial support to the IRGC. The State Department has also sanctioned companies that belong to the IRGC, although not always as IRGC subsidiaries, such as the aforementioned Ofogh Saberin. The EU, for its part, has listed 25 companies as IRGC-owned or controlled commercial entities.

The list is far from exhaustive. Treasury's list was last updated on November 23, 2012. Since then, there have been no new IRGC designations, including against individuals, despite personnel changes that have occurred over the years. Brigadier General Rostam Qasemi, for example, was sanctioned in 2010 while he was commander of Khatam Al-Anbiya. In 2011, however, he became minister of petroleum. In March 2013, Brigadier General Ebadollah Abdollahi was appointed to replace him as commander of Khatem Al-Anbiya.⁹⁴ Since taking on this position, he has not been listed.

Proponents of the Iran deal may argue that this gap existed before the lifting of sanctions, and yet Iran's economy was weakened all the same. There is an important difference: under the sanctions regime, Iranian companies were blocked from accessing the global financial system, faced steep costs for transport and insurance, and had to accept systematic screening of their merchandise. Under the JCPOA, these barriers will no longer exist.

IRGC Companies that were never sanctioned

Tidewater Middle East PLC is an instructive example of how the current sanctions structure is insufficient to prevent the IRGC and its businesses from fully participating in the post-sanctions economic environment. Treasury designated Tidewater Middle East PLC on June 23, 2011⁹⁵ as an entity owned by the IRGC. The EU followed suit in January 2012.

Tidewater (not to be confused with the New Orleans-based Tidewater, Inc.) is Iran's largest port operator. According to Treasury, "Tidewater-managed ports are a crucial component of Iran's

⁹⁴ "New Commander of Khatam al-Anbiya," *Iran Daily Briefing*, March 5, 2013.

(<http://www.irandailybrief.com/2013/03/05/new-commander-of-khatam-al-anbia/>)

⁹⁵ U.S. Department of Treasury, Press Release, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities," June 23, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

infrastructure and transport network, and shipments into Tidewater facilities provide an avenue of revenue to the IRGC in support of its illicit conduct.”⁹⁶

Tidewater and its subsidiaries played a critical role in providing services to the IRGC and Iran’s weapons shipments to Hamas and Hezbollah, some of which were interdicted in international waters. In all known cases, weapons cargoes disguised as commercial goods originated from the Bandar Abbas container terminal, which Tidewater manages. Tidewater was therefore an accomplice to illicit weapons transfers to support terrorism against U.S. allies.

Tidewater wholly owns (or controls a majority of shares of) a number of companies offering port services.⁹⁷ Despite their subsidiary relation to an entity sanctioned both by the U.S. and EU, none of them were designated. Two – Meyar Saham and Eftekhar Saham – are financial institutions involved in managing investments for their parent company. The lifting of general sanctions against Iran’s financial sector will enable these IRGC affiliates to elude restrictions against the Guard and open investment portfolios overseas. The same principle extends to Tidewater’s corporate management.⁹⁸

IRGC Commanders who Eluded Sanctions

Many of the individuals mentioned in this testimony are not under U.S., UN, or EU sanctions today. While the U.S. retains authority to sanction them, the EU will not be in a position to do so, given that it cannot now impose new nuclear sanctions against delisted individuals.

As for the individuals who remain under U.S. or EU sanctions, in many cases the companies they manage have eluded sanctions. Masoud Mehrdadi is one key figure in the IRGC financial realm.⁹⁹ Mehrdadi’s executive board membership encompasses a wide range of sectors, from

⁹⁶ U.S. Department of Treasury, Press Release, “Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities,” June 23, 2011. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

⁹⁷ Tidewater subsidiaries are: Rahyab Rayaneh Gostar Company (RRGC); Sea Port Line Co. (Daryabandar Line Marine and Shipping Services Company); Negin Sabz Middle East Company (NSMEC); Sahel va Farasahel (Onshore & Offshore) Technology Training Company, Ltd; Persian Gulf Kish Line Marine Services Company; Darya Gostar Kish Company (DGKC); Meyar Saham Stock Market Agency; and Eftekhar Saham Investment Company (ESIC).

⁹⁸ The company’s chairman Seyed Mehdi Motevalian and its board members were never designated. This includes Vice Chairman, Mehdi Etesam, who used to be the managing director of Sadra, another IRGC company under U.S. sanctions. Etesam represents the Commercial Services Ayande Negar Mehr Company, another IRGC firm not under sanctions. The current composition of the board is available on the company’s website: “*Entekhab Ehsaye Jadid Hoyat Madireh-ye Sherkat-e Tidewater* (Select New Members of the Tidewater Board of Directors),” *Tidewater Company Website*, accessed September 13, 2015.

(http://www.tidewater.ir/Persian/News/Pr_NewsShow.aspx?NewsID=1927). Etesam was identified as the Sadra managing director in media coverage of Iran: Yeganeh Torbati & Jonathan Saul, “Iran launches its first home-built tanker,” *Reuters*, July 24, 2012. (<http://www.reuters.com/article/2012/07/24/us-iran-tanker-idUSBRE86N0NW20120724>). Treasury sanctioned Sadra, designating it as a subsidiary of Khatam al-Anbiya, on March 28, 2012. U.S. Department of Treasury, Press Release, “Treasury Announces Additional Sanctions Against Iranian Engineering and Shipping Firms,” March 28, 2012.

(<http://www.treasury.gov/press-center/press-releases/Pages/tg1509.aspx>)

⁹⁹ Little information is available on his service in the IRGC during the Iran-Iraq War, though he has been named among the ranks of senior prominent commanders including IRGC commander Mohammad Ali Jafari and Quds

energy to telecommunication to banking. He now sits on the executive board of the Guard's primary financial investor, the IRGC Cooperative Foundation, and its affiliated Ansar Bank.¹⁰⁰ Both have been designated by the U.S. as providers of financial services to the IRGC under Executive Order 13382 and by the EU under Regulation No 961/2010.¹⁰¹ From 2012-2014, he was also a board member of the aforementioned Bahman Group.¹⁰²

Gholamreza Jalali Farahani is another example. He chaired the board of three companies on behalf of the IRGC Cooperative Foundation. He currently also serves as head of Iran's Passive Defense Organization and previously was head of the IRGC's engineering department.¹⁰³ The Deputy Commander of the IRGC Ground Forces, Asghar Sabouri, also sat on the IRGC Cooperative Foundation's board.¹⁰⁴

Mehrdadi, Farahani, and Sabouri are not under sanctions. They will enjoy, along with the companies they manage or managed on behalf of the IRGC, the full measure of rewards from the JCPOA unless U.S. authorities move to designate them.

There are other inconsistencies that the U.S. Treasury should address. Ahmad Vahid Dastjerdi, for example, is under sanctions for his role in Iran's ballistic missile program, but the companies he chairs are not. Dastjerdi is a veteran IRGC member and the current CEO of the IRGC Cooperative Foundation. Dastjerdi held three chairmanships on behalf the IRGC Cooperative

Force chief Qassem Soleimani. See Youhanna Najdi & Saeed Ghasseminejad, "*Pasdar Masoud Mehrdadi; Maghz-e Motefakker-e Emperatouri-ye Eghtesadi-ye Sepah* (Guard Masoud Mehrdadi; Mastermind of IRGC Economic Empire)," *Bamdad Khabar* (Iran), November 6, 2014. (<http://bamdadkhabar.com/2014/11/33068/>)

¹⁰⁰ Youhanna Najdi & Saeed Ghasseminejad, "*Pasdar Masoud Mehrdadi; Maghz-e Motefakker-e Emperatouri-ye Eghtesadi-ye Sepah* (Guard Masoud Mehrdadi; Mastermind of IRGC Economic Empire)," *Bamdad Khabar* (Iran), November 6, 2014. (<http://bamdadkhabar.com/2014/11/33068/>); Emanuele Ottolenghi & Saeed Ghasseminejad, "If the U.S. Wants a Nuclear Deal, It Needs to Fully Enforce Its Sanctions Against Iran's Revolutionary Guards," *Business Insider*, September 14, 2014. (<http://www.businessinsider.com/sanctioning-the-irgc-is-the-path-to-a-nuclear-deal-2014-9>)

¹⁰¹ U.S. Department of Treasury, Press Release, "Fact Sheet: Treasury Designated Iranian Entities Tied to the IRGC and IRISL," August 21, 2010. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1010.aspx>); Official Journal of the European Union, "Council Implementing Regulation (EU) No 503/2011 of 23 May 2011 Implementing Regulation (EU) No 961/2010 on Restrictive Measures Against Iran," October 25, 2010. (<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011R0503>)

¹⁰² Iran Securities and Exchange Organization, Bulletin, "*Tasmimat-e Majmae Omoumi-e Sherkat-e Gorouh-e Bahman* (Bahman Group General Assembly Decisions)," January 16, 2013. (<http://www.codal.ir/Reports/BoardMemberChange.aspx?LetterSerial=ra2dm0ozeMv58dHj944klg%3D%3D>); Iran Securities and Exchange Organization, Bulletin, "*Tasmimat-e Majmae Omoumi-e Sherkat-e Gorouh-e Bahman* (Bahman Group General Assembly Decisions)," June 29, 2013. (<http://www.codal.ir/Reports/Assembly.aspx?LetterSerial=CCtdx8hOQOpzomXS7ZvTVA==>)

¹⁰³ The three companies are Behsaz Bana Gostar Co., Fajr Qods Co., and Design and Idea Architecture Consultant Engineering Co. "Brigadier General Gholam Reza Jalali Farahani" *Iran Briefing*, January 28, 2012. (<http://iranbriefing.net/brigadier-general-gholam-reza-jalali-farahani/>)

¹⁰⁴ Sabouri served as a board member of the Foundation's auditing firm and of Misagh Basirat Institute, the Chairman of Alaleh Kabood Kavir Company, the Vice Chairman of Bama Company, the Chairman of the Veterans Housing Institute (Jahad-e-Khanesazi –e- Razmandegan), the Chairman of Laleh Welfare Service Company (Khadamat Refahi Laleh), the Vice Chairman of Tose'e Ma'aden Pahneh Tehran, and the Chairman of Triko Setareh Shargh, all on behalf of the IRGC Cooperative Foundation.

Foundation.¹⁰⁵ Although he himself is slated to remain indefinitely under U.S. sanctions and under EU sanctions until Transition Day, the companies he has managed are not.

Finally, there are commanders and executives who no longer officially work for the Guard but have set up their own consulting or construction companies. In many such instances these individuals may act as proxies for the IRGC. In the case of Gholam Hossein Khadjeali, for example, he was the CEO of the sanctioned Khatam al-Anbiya subsidiary Sepanir Oil and Gas Development Co. from 2007 to 2013 and since then has become the owner of a private energy contractor.¹⁰⁶

The failure to sanction numerous senior IRGC executives and commanders means their ability to conduct business abroad on their companies' behalf will now be greatly enhanced.

Conclusions

In light of the above evidence, I draw the following conclusions:

- First, the evidence strongly suggests that the IRGC will greatly benefit financially, and therefore, by extension, politically, from the economic dividends generated by the JCPOA.
- Second, although technically sanctions against the IRGC remain in place in both Europe and the United States, the sanctions architecture that inflicted economic pain on the IRGC financial empire has largely eroded and the IRGC can easily circumvent the remaining provisions.
- Third, more legal steps are required to reconstitute effective tools to counter the IRGC, limit its ability to take advantage of the new economic climate, reduce its access to revenue and finance, and constrain the freedom of action of its leaders.

¹⁰⁵ He served as chairman of Paivaran Energy Development Co. (Toseye Energy Paivaran), the Basij Cooperative Foundation and Alaleh Kabood Kavir Co.

¹⁰⁶ Khadjeali's resume confirms more than a decade of continuous involvement as a senior IRGC executive. An engineer by training, Khadjeali still teaches at the U.S.-sanctioned, IRGC-controlled Imam Hossein University, where he lectures on tunnel construction. From 1995 to 2013 he continuously held executive positions in Khatam al-Anbiya subsidiaries, including managing director for Sepasad Engineering from 2005 to 2007. "Personnel Detail – Gholamhossein Khadjehali Chaleshtari (GH. Khadjehali)" *Iran Management Consultants Association Website*, accessed September 13, 2015. (http://imc.org.ir/fa/?option=com_mtree&task=att_download&link_id=2648&cf_id=62). Khadjeali took leave of Khatam al-Anbiya in 2013 to launch his own energy consulting company, Mahdas Iranian Co. "Homepage" *Mahdas Iranian Company Website*, accessed September 8, 2015. (<http://mahdas.com/>). Within two years of its establishment, Mahdas Iranian had secured an important consultancy contract from the state-owned PEDEC for the North Yaran oilfield development project, and one for Mokran Petrochemical hub, the largest petrochemical complex in Iran, at Chabahar Free Zone. "North Yaran Oil Field Development," *Mahdas Iranian Company Website*, accessed September 13, 2015. (<http://mahdas.com/core-and-pvt-analysis/>) and "Mokran Petrochemical Complex," *Mahdas Iranian Company Website*, accessed September 13, 2015. (<http://mahdas.com/mokran-petrochemical-complex/>)

Recommendations

Therefore, I offer the following recommendations:

Congress should initiate legislation that would require the State Department to designate the IRGC as a Foreign Terrorist Organization (FTO):

The U.S. Department of State maintains a list of Foreign Terrorist Organizations that pose a threat to U.S. nationals and U.S. national security. There is little doubt that the IRGC has engaged in terrorist activity against U.S. nationals and threatened the national security of the United States. The U.S. Treasury Department has designated the IRGC Quds Force for its involvement in terrorism, but the State Department has not taken reciprocal actions. More broadly, the Quds Force is part of the IRGC. If the Quds Force is responsible for terrorism (as the U.S. government has indicated), then the IRGC as a whole should be designated as a terrorist organization and included on the FTO list.

Designating the IRGC will provide another warning to foreign companies mulling business in Iran. Additionally, the move would help mitigate some of the benefits that the IRGC is set to receive as a result of the JCPOA. Indeed, placing the IRGC on the FTO list enables the United States to maintain more leverage over certain financial interactions in which the IRGC is likely to attempt to engage.

Pushing for the inclusion of the IRGC on the FTO list is a way for members of Congress—both those who supported and those who opposed the JCPOA—to ensure that the JCPOA does not enable greater Iranian regional aggression.

For the IRGC to be removed from the FTO list, the organization would have to demonstrate that it no longer supports global terrorism or backs proxies such as Hezbollah, the Houthis in Yemen, and the Assad regime in Syria. To be removed from the list the IRGC would need to demonstrate a commitment to stability throughout the region.

As part of that legislation, Congress should declare that it is the policy of the United States that the IRGC is one organization responsible for all of the activities of its subsidiaries and branches:

Hezbollah is legally regarded in some European countries as having two separate parts: a military arm and a non-military arm. This makes it illegal to deal with the “military wing” of Hezbollah but not with other parts of the organization. Similarly, the U.S. government has determined that a branch of the IRGC, the Quds Force, is responsible for terrorism but the organization as a whole is not. Congress should declare in “Sense of Congress” language that any transaction with a part of the IRGC is the same as transacting with the Quds Force. Similarly, any activity by the Quds Force will be attributed to the IRGC as a whole.

There is a strong precedent for this. The U.S. has included Hezbollah and Hamas on the FTO list and argued that neither has a distinct “political wing” and “military wing,” recognizing that the

money is fungible, the branches are intertwined, and the leadership is the same. Congress now has an opportunity to state with clarity that this is also the case with the IRGC, the Quds Force, IRGC corporate holdings, and the smuggling networks, through which the IRGC has procured nuclear technology, facilitated human rights abuses within Iran, materially supported the Assad regime and Shiite militias in Iraq, and exported terrorism.

Congress can use future trade agreements with Europe to limit the IRGC's ability to operate in Europe:

The terms of the JCPOA require the EU and UN to delist many Iranian entities and lift sanctions against them. This includes both individuals associated with the IRGC and companies and foundations that have previously acted as pass-throughs for the IRGC to acquire financing, weapons, nuclear components, and transportation for troops and ammunition to foreign battlefields. Because of these de-listings, the IRGC will soon have a free hand in many European markets to purchase products and travel openly. The U.S. however has leverage over how open those markets will become to the IRGC.

The Transatlantic Trade and Investment Partnership between the U.S. and the EU is still being negotiated and the U.S. Trade Representative (USTR) maintains significant leverage over the terms. Congress could demand that the USTR require greater reporting on IRGC investments throughout Europe. The terms of the agreements could require that any country within the EU that is contracting with Iran certify that none of the entities are associated, in part or in whole, with the IRGC. The USTR could also require the EU to report annually on European companies investing in Iran, and therefore place those commercial transactions under public scrutiny. This may have a chilling effect because companies would be publicly associated with Iran and may suffer reputation damage as a result of business ties with the leading state sponsor of terrorism.

The administration should significantly increase the number of designations of both individuals and companies affiliated with, controlled, or owned by the IRGC:

Despite the optimism of some within the international business community over the JCPOA, businesses and the legal community still largely view Iran as a market and counter-party risk. The U.S., through designations and other policies, has played a significant role in this regard. Thus, if Congress and Treasury were to designate hundreds of IRGC companies before Implementation Day, this would send a clear warning not to rush into contracts with Iran. The message would be: IRGC companies are more numerous than you may think. A company with IRGC connections that is not yet on the SDN list today might be there tomorrow. In short, companies would take seriously the task of "know your business partner" before signing any contracts in Iran.

Congress should require Treasury to lower the ownership threshold for designation as an IRGC-owned entity:

The administration has stated that it will continue to enforce and enhance sanctions against Iran's illicit activities. Presumably this includes the IRGC. But the bureaucratic process of compiling a designation package can take months. Even the threshold for designation is often too high.

Congress should consider legislation that would help Treasury lower the threshold for identifying and designating a company as "owned or controlled by the IRGC" from 50+1% to 20% to better reflect the role IRGC plays in these companies. As noted above, the IRGC has engaged in a pattern of obfuscation to hide its control of many corporations. Additionally, even with a minority share, the IRGC often controls the board of directors. Accordingly, IRGC board membership might become part of the new criteria for Treasury designations.

Congress should require Treasury to create an IRGC Watch List:

Even when the threshold for designation is lowered, the IRGC is likely to engage in sanctions evasion and deceptive business practice to obscure its control. To address this problem, Congress can mandate that the U.S. Treasury maintain and publish an IRGC "watch list" which would report companies that do not reach the threshold for designation but have IRGC involvement. The list would serve as an aid to international companies considering transactions with Iranian companies. This list would signal to companies that if they are considering a business relationship with an entity on the IRGC watch list, their business partner is under scrutiny and might one day be designated.

Congress should encourage international corporations to demand an exclusion clause for ending commercial activities with designated or suspected IRGC entities:

As foreign companies re-enter the Iranian market, they are likely to unknowingly enter into business and financial transactions with Iranian entities owned or controlled by the IRGC. Congress, the U.S. Treasury, and their European counterparts could find ways to encourage companies investing in Iran to require their counterparts to certify that they are not wholly or in-part owned or operated by the IRGC. This could also include a declaration that shareholders do not include members of the IRGC. For companies requiring a license from Treasury's Office of Foreign Assets Control, this certification could be included in the licensing process.

Congress should also look into ways to provide protection such that if a company discovers that it is engaging in commercial activity with an entity that to its previous knowledge was not affiliated with the IRGC, that company would have the option of nullifying its contract. The aforementioned watch list could help to prevent such discoveries. But such protection would help further mitigate risk.

Closing remarks

Mr. Chairman, these recommendations may sound very ambitious, but a more aggressive approach to countering the IRGC is crucial. The IRGC is the crucible to the illicit conduct of the Iranian regime. The steps that I have proposed here could go a long way toward countering the Guards' aggressive conduct worldwide.

Thank you for the opportunity to testify today. I look forward to your questions.