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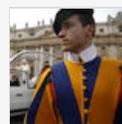
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U.S. Softens Sanction Plan Against Iran

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By DAVID CRAWFORD, RICHARD BOUDREAUX, JOE LAURIA and JAY SOLOMON

VIENNA—The U.S. has backed away from pursuing a number of tough measures against Iran in order to win support from Russia and China for a new United Nations Security Council resolution on sanctions, according to people familiar with the matter.

Among provisions removed from the original draft resolution the U.S. sent to key allies last month were sanctions aimed at choking off Tehran's access to international banking services and capital markets, and closing international airspace and waters to Iran's national air cargo and shipping lines, according to the people.



Agence France-Presse/Getty Images

Iranian President Mahmoud Ahmadinejad unveils nuclear fuel rods at a manufacturing plant in Isfahan province in April 2009.

The U.S. and allies are trying to force Iran to rein in a nuclear program that they worry is aimed at developing atomic weapons. Tehran says its nuclear activities are peaceful. The U.K. and Germany, concerned that Russia and China would reject the resolution outright and preferring to turn up pressure on Iran gradually, persuaded U.S. officials to drop or soften several elements, including some of the document's harshest provisions, the people said.

U.S. officials said they wouldn't comment on the day-by-day negotiations taking place among the Security Council members. But they stressed that the Obama administration is seeking the toughest measures possible against Tehran while maintaining unity among the five permanent members of the Security Council and Germany, which are drafting the sanctions.

"We are seeking an appropriate resolution that puts significant pressure on the government," State Department spokesman P.J. Crowley said Wednesday. "We continue

to consult with various countries, and it's our desire to maintain unanimity. It will be a strong united statement that Iran will have to pay attention to."

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The disclosure of weakened proposals came as U.S. officials sought to persuade Russia and China to back measures against Iran in a conference call on Wednesday among the five permanent members of the Security Council and Germany, the first such meeting including China since mid-January.

Russia and China didn't endorse a draft resolution circulated by the U.S., but signaled that they were open to further discussions, people familiar with the matter said. Russian Deputy Foreign Minister Sergei Ryabkov told Interfax news service, "We are continuing the process of comparing the approaches of the parties and considering further options."

Russia and China also have been working in tandem to press Iran to accept a United Nations-brokered proposal to send uranium abroad for enrichment, Russian officials said Wednesday. The effort is unusual, coming from the two powers usually least inclined to lean hard on Tehran. "The clouds are gathering, and the position of Iran leaves less and less space for diplomatic maneuver," a senior Russian diplomat told reporters Wednesday.

The current resolution still would target major power centers in Iran, in particular the Islamic Revolutionary Guard Corps, the country's elite military force, according to a person familiar with the draft. It would also stiffen a broad range of existing sanctions, including the search and seizure of suspicious cargo bound for Iran through international waters and a ban on states offering financial assistance or credits for trade with Iran. If approved, they would be the most stringent measures Iran has faced.

Yet the original U.S. draft would have gone much further. The cargo sanctions initially named Iran Air and Islamic

Republic of Iran Shipping Lines and demand a blanket ban of their airplanes and ships from other countries' airspace or territorial waters. The revised version calls for interdiction only of shipments that would evade already-existing sanctions.

The earlier resolution would have made it difficult for Iran to insure imports and exports of oil and other essential commodities, by barring foreign insurers from serving international transport contracts from Iran.

The new draft calls only for unspecified "additional steps" to enforce current sanctions on insurance.

The previous draft would also have barred Iran's access to international capital markets by prohibiting foreign investment in Iranian bonds. The country hasn't traditionally relied on debt markets, but earlier this month a state-owned Iranian bank, Bank Mellat, announced an offer to sell bonds valued at €1 billion (\$1.35 billion) to fund development of natural-gas field in South Pars. The new draft makes no mention of banning purchases of Iranian bonds.

The current draft notes "with serious concern the role of the Iranian Revolutionary Guard" in "Iran's proliferation sensitive nuclear activities and the development of nuclear weapon delivery

Softer Line | How draft sanctions have changed

FEB. 12 ORIGINAL

FEB. 18 REVISED

CARGO

Countries should deny Iranian state-owned air and shipping lines overflight or free passage for cargo shipments without permission of the U.N. Security Council.

The restriction should be limited to shipments that would evade existing sanctions.

FINANCIAL SERVICES

Countries must prevent the provision of insurance services to Iranian companies for international transport-related contracts.

Countries should 'take additional steps' to prohibit financial services or insurance that violate previous U.N. Security Council resolutions.

BONDS

Nations should prevent the purchase or sale of bonds from the government of Iran, the Central Bank of Iran or any entity or person acting on their behalf. Financial institutions would be prohibited from supporting such transactions in any way.

Nations should exercise 'vigilance' and require prior notification of such transactions in accord with previous U.N. Security Council resolutions. Makes no mention of Iranian bonds.

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systems," according to a person familiar with its contents.

The U.S. Treasury Department has identified billions of dollars in assets controlled by the Revolutionary Guard in financial and commercial sectors, including at least \$7 billion in the energy sector and a controlling stake in Iran's largest telecommunications and fixed-telephone-line provider, Telecommunication Company of Iran.

The draft would force an international freeze on the assets of the entire Revolutionary Guard and "any individuals or entities acting on their behalf or at their direction," and on "entities owned or controlled by them, including through illicit means," according to the person familiar with the draft.

If enforced, the proposed sanctions could force the Revolutionary Guard to divest itself of some of its holdings to prevent major disruptions in the economy.

The Revolutionary Guard's affiliation with the country's telecom operator, for example, could prompt foreign partners to stop connecting international calls.

Under previous U.N. Security Council resolutions, several named Revolutionary Guard entities with direct links to military programs and a handful of named senior commanders would be placed under sanction. The Revolutionary Guards as a whole and the companies in which they hold controlling economic interests, however, aren't currently sanctioned.

Though the sanctions under discussion would target the government, they would inevitably hit many Iranians as well, a senior European official with knowledge of the sanction preparations said. "We don't want to hurt the Iranian people," he said, but "people will be affected by the new sanctions."

U.S. officials acknowledge that there's been a tension between seeking the strongest possible sanctions at the U.N. and still maintaining consensus among such skeptical Security Council members as China, Russia and Turkey.

This balance is also playing into the timing of when the U.S. will push for a new round of penalties. Secretary of State Hillary Clinton and other senior U.S. officials have said time is essential in confronting Tehran, and have cited April as a target date. But American officials have acknowledged that it may not be possible to meet this deadline due to the continued opposition from Beijing and Ankara. Negotiations, subsequently, could drag on into the summer.

U.S. officials said they're going to follow up any new sanctions that are enacted by the U.N. with a range of new measures that will be implemented either unilaterally by Washington, or with allied countries in Europe, Asia and the Middle East. The Obama administration has been holding meetings with so-called like-minded nations from outside the Security Council, such as Japan, South Korea, and the United Arab Emirates, which have extensive financial ties to Tehran.

"International pressure will be backed by steps that are taken nationally," Mr. Crowley said. "We are looking for sanctions that have bite."

China, which relies on Iran as a major supplier of oil, said last week that the standoff with Iran should be resolved through negotiations. U.S. officials have said in recent weeks that China remains the linchpin for successful sanctions being passed by the Security Council and have enlisted key Arab states, such as Saudi Arabia and the United Arab Emirates, to use their energy dealings with China as leverage to push Beijing for cooperation. "I believe in the end the Chinese will be on board," said a senior U.S. official working on drafting the sanctions.

Russia has sent mixed signals in recent weeks over its willingness to impose tougher restrictions on Tehran. Just last week Russian Prime Minister Vladimir Putin said Moscow would assist Iran in starting a civilian nuclear reactor by July, against U.S. objections.

In a nod to Moscow, the resolution wouldn't sanction work on many existing energy projects, including the nuclear power plant Mr. Putin vowed to complete.

Russian analysts say Moscow is torn over the sanctions issue. It was blindsided last year by the disclosure of Iran's secretive nuclear work and embarrassed by Iran's subsequent rejection of the fuel-exchange proposal, which Russia had promoted. On Friday, Russian Foreign

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Minister Sergey Lavrov said Iran's leaders were allowing an opportunity for mutually beneficial dialogue with the West to "slip away."

Russia doesn't want to push Iran to the point of quitting the international Non-Proliferation Treaty and barring nuclear inspectors, analysts say. In addition, industrial lobbies close to the Kremlin oppose sanctions that would jeopardize their sales of weapons and nuclear energy equipment to Iran.

One of the toughest proposed sanctions in the current draft is a comprehensive international arms embargo against Iran, a longtime goal of the U.S. Despite U.S. pressure to end weapons shipments, a number of countries continue supply Iran with arms, however.

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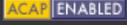
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