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MIDDLE EAST AND NORTH AFRICA

Iran Current Status of the Nuclear Programme

Iran has been pursuing a civilian nuclear energy programme intermittently since the 1950s. Development with Western assistance ground to a halt with the Iranian Revolution in 1979, but resumed during the 1990s with Russian technical support. The current crisis was sparked by the disclosure in 2002 by Iranian opposition groups that Iran was operating secret nuclear development facilities - a heavy-water production facility at Arak, and an underground uranium enrichment plant at Natanz. Iran later admitted to concealing parts of its nuclear programme, and the IAEA concluded that Iran had been in breach of its Safeguards Agreement obligations.

Since then, Iran has continued to develop its civilian nuclear programme under the observation of IAEA inspectors. Currently, Iran is operating uranium enrichment centrifuge cascades, contrary to the decisions of the UN Security Council, producing Low-Enriched Uranium. This is not suitable directly for use in nuclear weapons, but could be further enriched relatively quickly in order to produce Highly-Enriched Uranium for use in weapons. Given Iran's past concealment activities, less than full and unconditional cooperation with inspectors, and several suspicious or poorly-explained incidents, international observers have continued to hold strong reservations about the intent and scale of Iran's nuclear ambitions, hence the EU and US focus on curtailing Iranian nuclear development.

It is important to note that there is no strong evidence of Iran pursuing a military nuclear weapons programme at this time. The US National Intelligence Estimate (a consensus view of a number of US intelligence agencies) of November 2007 assessed with 'high confidence' that until the autumn of 2003, 'Iranian military entities were working under government direction to develop nuclear weapons.' However, due to gaps in the intelligence, it assessed with only 'moderate confidence' that those nuclear weapons activities had not restarted. The concern is that Iran's uranium enrichment programme is reaching a point, if there were

a secret military nuclear programme, that Iran could withdraw from the Nuclear non-Proliferation Treaty, kick out IAEA inspectors, and use its ostensibly civilian enriched uranium for nuclear weapons.

Some Implications for Insurers

As the Iranian nuclear programme progresses, it will come under increasing attention from the EU, US and UN. Underwriters need to be aware of the possibility of providing insurance for transactions or companies that may be involved in the Iranian nuclear programme either directly or indirectly.

A first port of call when assessing compliance is the UK's Department for Business Enterprise & Regulatory Reform website (see below), which links to relevant UN Security Council Resolutions, as well as EU and UK legislation.

<http://www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/sanctions-embargoes/by-country/iran/index.html>

Insurers may also want to ensure they are compliant with relevant US legislation which can be found on the US Department of Treasury website:

<http://www.treas.gov/offices/enforcement/ofac/programs/iran/iran.shtml>

The range and technical complexity of dual-use items which may be utilised in Iran's nuclear programme is extensive, and it would be impractical for insurers to ascertain the prohibition of items from the details provided on a slip. Underwriters may wish to consider including clauses invalidating cover if the assured does not notify the underwriter that the goods of concern are listed on EU Council Regulation 1167/2008. This aggregates a number of internationally agreed dual-use controls from the Wassenaar Arrangement, the Missile Technology Control Regime (MTCR), the Nuclear Suppliers Group (NSG), the Australia Group and the Chemical Weapons Convention (CWC). Items listed here require export licences from the competent national bodies (for example, in the UK, the Department for Business, Enterprise & Regulatory Reform). However, if shipments originate outside the EU, national legislation may be less comprehensive. It may therefore be appropriate to ensure that the assured at a minimum notifies the underwriter if goods are listed on this Regulation for cover to be valid.

<http://trade.ec.europa.eu/doclib/html/141604.htm>

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