

## U.S. DEPARTMENT OF THE TREASURY

## Press Center

## Remarks of Secretary Lew before the 2014 AIPAC Policy Conference

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*As prepared for delivery*

**WASHINGTON** - I want to thank President Kassen, incoming President Cohen, the Board of Directors, and everyone for inviting me here today. There are so many familiar faces in this room—friends of many years from my time in Washington, New York, and around the country. It is truly wonderful to be with you.

Before turning to the focus of my remarks, let me say that we are closely monitoring the situation in Ukraine with grave concern. As President Obama told President Putin yesterday, Russia's clear violation of Ukrainian sovereignty and territorial integrity is a breach of international law. I have spoken several times to the Ukrainian Prime Minister who assures me that the government is prepared to take the necessary steps to build a secure economic foundation, including urgently needed market reforms that will restore financial stability, unleash economic potential, and allow Ukraine's people to better achieve their economic aspirations.

The United States is prepared to work with its bilateral and multilateral partners to provide as much support as Ukraine needs to restore financial stability and return to economic growth, if the new government implements the necessary reforms.

An IMF program should be the centerpiece of the international assistance package, and the United States is prepared to supplement IMF support in order to make successful reform implementation more likely and to cushion the impact of needed reforms on vulnerable Ukrainians.

Now the reason we are all here is because for more than 40 years, AIPAC has been the indispensable leader in keeping the alliance between the United States and Israel unbreakable. And you have done that through your powerful example of advocacy and activism—you make your voices heard, you take your case to your representatives here in Washington, and you stand up for what you believe in. This is not just your right as Americans. It is your responsibility. It is the essence of our democratic system.

And as everyone here recognizes, the future of the United States is tied to the future of Israel. This is something that every President since Harry Truman has understood.

In fact, in 1948, it took President Truman only 11 minutes to recognize the Jewish state of Israel. And from then on, the American-Israel relationship has not been a Democratic cause or a Republican cause, it has been an American cause.

President Obama has remained true to this proud legacy since the first day he took office, and he has made it clear that for him and for this Administration, America's commitment to Israel is ironclad. As he said as President-elect, before he even took office: "Israel's security is sacrosanct. It is nonnegotiable." And he has never wavered from that position.

Like the President, Israel's security is not only a public policy conviction for me, it is a personal one. As many of you know, no one grew up with a deeper appreciation for the state of Israel than I did. And I have no doubt that a strong and secure Israel is vital to America's strength and America's security.

As we meet, America's support for Israel's security has never been stronger. And over the next three days, you're going to hear about all the things that the Administration is doing to advance Israel's security—from promoting a lasting peace with the Palestinians to preserving Israel's military edge so it can protect itself against any threat.

Today, I will discuss one of the most pressing national security concerns for Israel and the United States—and that is Iran's nuclear program.

Let us not forget that when President Obama took office, Iran was strengthening its position throughout the region and the international community was unable to provide a unified response. But because of President Obama's leadership, Congressional actions, American diplomacy, which AIPAC has supported, we put in place a historic sanctions regime and Iran now finds itself under the greatest economic and financial pressure any country has ever experienced.

Initially, many claimed sanctions on Iran would never work, but we have proven exactly the opposite. From the beginning, this sanctions program has had one purpose: Persuade Iran to abandon its pursuit of a nuclear weapon. There can be no alternative.

To be clear, we never imposed sanctions just for the sake of imposing sanctions. We did it to isolate Iran and sharpen the choice for the regime in Tehran. And we did it by bringing the community of nations together. We are talking about China, Russia, India, Japan, Europe, Canada, South Korea, and the list goes on.

Having the international community united in opposition to Iran's pursuit of a nuclear weapon made an enormous difference.

We now have in place the most sweeping, most powerful, most innovative, and most comprehensive sanctions regime in history. And because of the impact of these unprecedented, international sanctions, Iran finally came to the negotiating table seeking relief and fully aware that to get relief, it had to take concrete steps to curtail its nuclear program. Those negotiations led to the Joint Plan of Action, which went into effect in January.

Today, for the first time in a decade, progress on Iran's nuclear program has been halted and key elements have been rolled back.

The temporary deal struck in Geneva provides us with a six-month diplomatic window to try to hammer out a comprehensive, long-term resolution, without fear that Iran, in the meantime, will advance its nuclear program. Now, I want to emphasize something: Before we agree to any comprehensive deal, Iran will have to provide real proof that its nuclear program, whatever it consists of, is—and will remain—exclusively peaceful.

This deal will only be acceptable if we are certain that Iran could not threaten Israel or any other nation with a nuclear weapon.

Yet make no mistake: Even as we pursue diplomacy, and even as we deliver on our commitments to provide limited sanctions relief, the vast majority of our sanctions remain firmly in place. Right now, these sanctions are imposing the kind of intense economic pressure that continues to provide a powerful incentive for Iran to negotiate. And we have sent the very clear signal to the leadership in Tehran that if these talks do not succeed, then we are prepared to impose additional sanctions on Iran and that all options remain on the table to block Iran from obtaining a nuclear weapon.

We are under no illusions about who we are dealing with. Iran has threatened Israel's very existence, supports terrorist organizations such as Hezbollah, and has failed to live up to its promises in the past.

Still, it is critically important that we give negotiations, backed by continuing economic pressure, a chance to succeed. I have sat with two presidents as they weighed the enormous decision to send men and women into harm's way to protect our nation. And while all options must remain available, I believe it is our responsibility to do as much as we reasonably can to reserve force as a last option.

This is as much a strategic obligation as it is a moral one. You see, maintaining the sanctions regime that has crippled Iran's economy requires international cooperation. No amount of U.S. sanctions would have the same crippling power as this international effort. For other nations to continue to remain steadfast with us, they need to know that we have given negotiations every chance to succeed. And if the moment comes when we have to use force, the whole world needs to understand that we did everything possible to achieve change through diplomacy.

To that end, we do not believe that now is the time to adopt new sanctions legislation. We do not need new sanctions now – the sanctions in place are working to bring Iran to the negotiating table and passing new sanctions now could derail the talks that are underway and splinter the international cooperation that has made our sanctions regime so effective. But as I have said, and as President Obama has said, we continue to consult closely with Congress, and if these talks fail, we will be the first to seek even tougher sanctions.

Now, in the next two days or so, you may hear some say that the very narrow relief in the interim agreement has unraveled the sanctions regime or eased the chokehold on Iran's economy. Nothing could be further from the truth. And I want to take a few moments to go through a few basic facts.

The Treasury Department, which administers and enforces the sanctions, monitors the numbers carefully. And when you consider the ongoing sanctions that remain in place, the temporary, targeted, and reversible sanctions relief is extremely limited—totaling an estimated \$7 billion. To put that into context, during the same six month period, Iran will lose roughly \$30 billion in oil sales alone from the sanctions that remain in place.

Put simply, this relief will not enable Iran's economy to recover from the deep economic damage inflicted by the sanctions program. The bulk of this relief does not come from suspending sanctions on economic activity like manufacturing or exports. It comes from the measured release of Iran's own funds that are now impounded in overseas banks. The fact is, because of years of sanctions enforcement, Iran has about \$100 billion locked up in overseas banks. The interim agreement allows Iran to access \$4.2 billion of these funds.

I want to underscore that Iran's access to this limited relief is neither immediate nor instantaneous. It will be provided in separate installments on a rolling basis over the six-month period of the Joint Plan, and it will only flow if Iran demonstrates week by week that it continues to comply with its agreement to freeze and rollback its enrichment program.

Other measures amount to less than \$2 billion – the limited suspension of sanctions on the export of plastics, the import of parts for Iran's automotive sector, and tuition assistance for students studying abroad. And the core architecture that makes the program work, oil and financial sanctions, remains in effect fully.

If at any point Iran fails to fulfill its commitments under the Joint Plan, the money will stop, and the suspended sanctions will snap right back into place. And when the six-month deal expires, so does the relief.

The bottom-line is: Promises are not enough—Iran must meet its obligations. This is not a case of trust and verify. This is a case of verify everything.

No matter what, Iran's economy will continue to feel severe economic pressure from our ongoing sanctions regime. For example, our oil sanctions that remain in place have forced Iran's oil exports to drop by more than 60 percent over the last two years. And we will continue to enforce them.

All told, the crushing sanctions have deeply damaged economic conditions in Iran. There are four key indicators that tell the whole story: first, last year the economy shrunk by 6 percent and it is expected to shrink again this year; second, the value of its currency, the rial, has plummeted, having lost about 60 percent of its value against the dollar; third, the unemployment rate is over 15 percent; and finally, the inflation rate is about 30 percent, one of the highest in the world.

The economic sanctions have crippled Iran's economy on many fronts.

Claims that Iran's economy is undergoing a recovery because of the Joint Plan of Action are just plain wrong. After the election of President Rouhani last June, and well before the Joint Plan took effect, there was a slight drop in the country's very high inflation rate and small improvements in other economic indicators. This was due to a wave of public optimism that greeted the election of a new president, the appointment of a more capable economic team, and the hope that a deal to lift sanctions would soon materialize.

But the slight improvements in these indicators only mean that a badly wounded economy is not getting worse. It does not mean the economy is getting better. And it certainly does not mean that the Joint Plan has led to a recovery.

Further, if Iran fails to reach a deal with us, business and consumer confidence will quickly erode as will many of the gains the economy has seen over the last few months.

Iran's economy suffered a serious blow from sanctions, and the impact of sanctions is not being reversed. Iran's economy remains in the same state of distress that brought the government to the table in the first place. Imagine how any economy would feel, if, by a recovery, it meant leveling off at the bottom of a recession. That is what is happening in Iran today.

There is no question that the relief provided under the six-month plan will not steer Iran's economy to a real recovery. It is a drop in the bucket. In fact, there will be a net deepening of the impact of sanctions when you consider the new damage that will be inflicted like the \$30 billion in additional lost oil sales.

What this relief will do is give the people of Iran and their leaders a small taste of how things could improve if they were to take the steps necessary to join the community of nations. This is a choice for Iran to make. If it wants to pull its economy out of the deep hole it is in, it must remove any doubt that its nuclear program is peaceful and come to a comprehensive agreement with the international community. Until then, we will remain steadfast in our enforcement of U.S. and international sanctions.

Now, when I say we remain firm in our enforcement of sanctions, these are not just words, we are talking about action. For instance, shortly after the Joint Plan went into effect, we moved against more than 30 Iran-related entities and individuals around the globe for evading U.S. sanctions, for aiding Iranian nuclear and missile proliferation, and for supporting terrorism. As President Obama recently said, if anyone, anywhere engages in unauthorized economic activity with Tehran, the United States will—and I quote—"come down on them like a ton of bricks."

I have personally delivered that message to hundreds of business and banking executives in America and around the world, and we are in regular contact with our international partners—including Israel—to sustain the pressure on Iran's government.

On top of that, our enforcement officials at the Treasury Department who have been responsible for crafting and implementing this historic sanctions regime have been traveling around the world and putting their expertise and unremitting effort to bear to keep Iran isolated.

Even though I have said this before, it bears repeating: Iran is not open for business. Have no doubt, we are well aware that business people have been talking to the Iranians. We have been very clear that the moment those talks turn into improper deals, we will respond with speed and force. Anyone who violates our sanctions will face severe penalties. Our vigilance has not, cannot, and will not falter.

In closing, let me say, this is a time of great uncertainty. But during difficult times like these, the bonds between the United States and Israel do not grow weaker, they grow stronger.

The U.S.-Israel relationship, which is rooted in our shared story of people yearning to be masters of their own destiny, is as vibrant as ever. And that vibrancy is very much on display here. As I look out across this room, I am reminded of how every year hundreds of young people come to this conference from every corner of the United States. They travel to our nation's capital because of their boundless hope, their sense of duty, and their unshakeable belief that the future can be brighter, better, more prosperous and more secure. And I am confident that by all of us working together, we can make that happen.

Thank you.

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