

U.S. DEPARTMENT OF THE TREASURY

Press Center

Transcript: Senior Administration Officials On Iran Sanctions

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Via Conference Call

MODERATOR: Thank you very much and thank you all for joining us on this call early in the morning. As you saw, we put out a joint release from the Treasury Department and State Department today announcing new designations on some Iranian entities. Joining us today, we have two senior Administration officials for a background call to discuss these designations. This call will be on background to Senior Administration Official One and Senior Administration Official Two. It is not embargoed. Senior Administration Official One is [name and title redacted]. And Senior Administration Number Two is [name and title redacted].

And with that, I will turn it over to [Senior Administration Official One] who will make brief remarks, hand it over to [Senior Administration Official Two] to make brief remarks, and then we'll open it up for questions. Thank you.

SENIOR ADMINISTRATION OFFICIAL ONE: Thanks, [Moderator], and good morning, everybody. Thank you for joining us. As you know, the pressure from international sanctions played a crucial role in bringing the Iranian Government to the negotiating table in Geneva and providing our team powerful leverage in Geneva in their negotiations leading to the Joint Plan of Action.

The intense pressure currently applied on the Iranian economy did not come about overnight. It is the product of painstaking sanctions, design, and development, coordination with Congress and our international partners, outreach to foreign governments in the international private sector, and aggressive enforcements over the last several years.

Just as sanctions pressure was critical in bringing about the joint plan, sanctions pressure will be essential as we seek to negotiate a comprehensive, long-term resolution to the international community's concerns with Iran's nuclear program.

So during the six-month tenure of the joint plan, we will continue to vigorously enforce our sanctions programs. This should not come as a surprise. We have been explicit that the overwhelming majority of our sanctions, including our potent oil, financial, and banking sanctions remain firmly in place, and that we will continue to rigorously implement and enforce them. President Obama made this point when announcing the joint plan. He said: "The broader architecture of sanctions will remain in place, and we will continue to enforce them vigorously."

Continued enforcement of our Iran sanctions program will ensure that the pressure on Iran's economy continues to mount during the six-month period of the joint plan. The message to the Iranian Government remains clear: The only escape from increasing sanctions pressure, the only path out of deepening economic distress, is to negotiate and make the necessary concessions to address the international community's concerns with their nuclear program.

Making this message a reality today, the Treasury and State Departments have designated more than a dozen companies and individuals for helping Iran evade international sanctions and for facilitating Iran's proliferation of weapons of mass destruction. Today's designations target entities and individuals located across the world, from Singapore to the Philippines, to Ukraine, Cyprus, and Iran. Their actions are part and parcel of Iran's longstanding and extensive efforts to use front companies to support its illicit proliferation and sanctions evasion activities. And the consequences of these actions, today's designations, demonstrate our continued commitment to vigorously impose sanctions on those who evade or attempt to evade our sanctions.

Today's designations are just one part of the Administration's aggressive campaign to ensure that the sanction framework remains robust and effective. We have been meeting with banks and businesses, reminding them that the vast majority of our sanctions remain in place. We have also been actively engaged overseas, both through our embassies and by sending teams abroad, to make certain that no one in the international business or banking communities, let alone our friends and allies, misunderstands or underestimates our firm intent to continue vigorous sanctions enforcement.

Our goal is to ensure the sanctions pressure continues unabated and in fact grows during the six-month duration of the joint plan, and that Iran understands that meaningful sanctions relief can only be obtained through verifiable assurances that its nuclear program, to the extent it exists, is exclusively for peaceful purposes.

With that, over to you, [Senior Administration Official Two].

SENIOR ADMINISTRATION OFFICIAL TWO: Thank you. I just want to commend [Senior Administration Official One] and our interagency team for this, the hard work on this set of designations which underscores our commitment to continued sanctions enforcement.

As you know, we're actively pursuing a two-track policy – pressure and diplomacy to ensure that Iran could never obtain a nuclear weapon. Our diplomatic track through the P5+1 is ongoing and framed by the Joint Plan of Action concluded in Geneva last month. Expert level talks are taking place now in Vienna to address the details of implementing that plan of action in the coming weeks.

Our pressure track, as [Senior Administration Official One] just explained, is also ongoing. As demonstrated again today, we maintain a posture of vigorous enforcement of sanctions. Trade and other transactions with designated Iranian entities in key sectors of the Iranian economy carry serious sanctions risk, and that is the message that has gone out around the world through our embassies in every capital around the globe.

The Joint Plan of Action has a specific purpose: to halt Iran's nuclear program and roll it back in key respects while we negotiate a comprehensive solution. This is designed to ensure that Iran cannot use the cover of negotiations to further advance its nuclear program.

In our efforts to reach a comprehensive solution, we will continue to pursue our dual-track policy to include ongoing designations of sanctions evaders whenever the facts and the law merit such designations, as was the case for those entities designated today.

And with that, I'll turn it over to questions.

OPERATOR: Thank you. At this time, if you would like to ask a question, please press *1. Please state your name and media outlet. Once again, to ask a question, please press *1. One moment, please.

Your first question comes from Elise Labott, CNN. Your line is open.

QUESTION: Thanks very much for doing this. I understand that you said that you would enforce existing sanctions, but if you could relate this to the effort on the Hill not to impose sanctions, and why designating new Iranian entities under existing sanctions is not as antagonistic to Iran as imposing an entirely new class of sanctions. I mean, you're making a very robust effort on the Hill not to impose new measures, so why not just – why – are you not antagonizing Iran by designating new individuals? Thanks.

SENIOR ADMINISTRATION OFFICIAL ONE: Thanks for that question, Elise. I think there's a very clear distinction and one that was expressed during the negotiations of the joint plan with the Iranians, and that's that the existing sanctions framework, which includes both the U.S. sanctions and sanctions imposed by many of our partners overseas, will continue to be enforced with the minor exceptions of the – of what's specifically contained in the relief package. But the vast bulk of the sanctions that are in – that were in place before the joint plan remain in place and we are going to enforce that.

The Iranians understand that. We told them that. We were very clear about that. And we're going to continue to follow through on that so that the pressure is maintained. That is, I think, quite different from layering on new sanctions authorities that don't currently exist. And that's what is being discussed on the Hill. That's quite a different type of activity, and one that the joint plan also addresses and contains the provision about no new EU nuclear-related sanctions, and no U.S. nuclear-related sanctions to the extent that our political system permits that.

There's a real and important distinction, but I do want to emphasize that the sanctions framework that remains in place will allow us – and we intend to use it to continue to apply pressure on the Iranian economy and on the Iranian Government so that as this negotiation gets underway for the long-term comprehensive agreement, the Iranians are – continued to be motivated to negotiate that long-term agreement.

OPERATOR: Your next question comes from Chris Good, ABC News. Your line is open.

QUESTION: Thanks for doing this. I wanted to ask – and I think this came up during the Secretary's testimony on the Hill – but how many other batches of violators of sanctions have you designated since Rouhani was elected, and how many – do you know that there's a number?

SENIOR ADMINISTRATION OFFICIAL ONE: We have continued to enforce our sanctions actively since the Rouhani election. We have designated a sanctions evader network in – I think it was in September or October. OFAC has applied penalties against more than a dozen entities since Rouhani's election. And just yesterday, we announced a large settlement against the Royal Bank of Scotland for apparent violations of Iran's sanctions. We announced an enforcement action against an oil services company several weeks ago. We imposed new sanctions in July, I think on the 1st of July. So we have continued to pursue sanctions enforcement and sanctions designation activity post the election of Rouhani, just as we were prior to the election of Rouhani.

I think there's a sort of cottage industry in sort of the daily tick-tock on who is designated and when. The real question, though, is: What is the impact of our sanctions? And I don't think there's any question that prior to the election of Rouhani and after the election of Rouhani, the pressure on the Iranian economy and the disruption of those who are seeking to assist the Iranians in pursuing their nuclear and ballistic missile program has continued apace. So we haven't let up. We won't let up. And I just want to just leave it at that.

OPERATOR: Your next question comes from Michelle Caruso, CNBC. Your line is open. Please check your mute button. Your line is open.

QUESTION: Hi, sorry. I had my mute button on, you're right. Good morning, thanks for doing this. What would you say to hedge fund members and distressed investors who are already planning getting their visas to go to Iran based on the assumption that they think the sanctions are going away and they want to do business there as soon as it's possible?

SENIOR ADMINISTRATION OFFICIAL ONE: Well, I hope they don't have a six-month visa.

Seriously, I think the – there's no reason to think that there is great business opportunity in Iran today. The majority of their banks remain isolated from the international financial system, so it's very difficult to move money into or out of Iran. The energy sector in Iran, which is something that many international businesses have their eye on, remains subject to sanction, and anybody who engages in transactions involving the development of Iran's energy sector stands to be sanctioned. And I would think that today's actions would send a loud and clear message that we are quite serious about taking action, enforcing our sanctions against anyone who engages in activity during this six-month period that violates our sanctions.

And there is just no reason to believe that Iran is now open for business. It's not. It is still subject to the most comprehensive sanctions that exist in the world today, and that have probably ever existed in the world. And the notion that it now is a good time to get into Iran is both foolish as a business matter, and dangerous as a legal matter.

OPERATOR: Your next question comes from Jo Biddle, AFP. Your line is open.

QUESTION: Hello, good morning. Thank you very much for doing this. I wondered if I could pick up on the theme of Elise's question, and ask whether the timing of this is due, firstly, to the fact that there are serious considerations being given on the Hill today, perhaps, to unveil some legislation which would impose new sanctions. Is this a – should this be seen as part of a message to the Hill not to go ahead with that?

And secondly, I wondered if you could confirm whether or not the meeting in Vienna has agreed when the six-month interim deal will actually start to come into force? Thank you.

SENIOR ADMINISTRATION OFFICIAL ONE: Why don't I take that first question and leave the second one for you, [Senior Administration Official Two].

In terms of the timing, I think this also goes to the question about our designation activity after President Rouhani, but we impose sanctions when we have the facts and the evidence pulled together sufficient to take action. We also impose sanctions as part of our broader strategy to impose pressure on the Iranian Government and to disrupt those who are involved in illicit activity. That's why we're acting today. We're acting because we've got the evidence pulled together for these various individuals and entities that we're sanctioning, and also to send a very clear message to the Iranians and to the international business and banking community that we're quite serious about continuing to enforce our sanctions during this period that the joint plan is in effect.

The reason that I think it is also relevant to the question about the pre- and post-Rouhani period is that it's – the process of putting together designations is one that takes time. We don't act precipitously. We develop the evidence. We develop these evidentiary packages so that if we're challenged, we can sustain them. We have been challenged in court repeatedly on our designations. We've never lost a case because we take our time to make sure that we've got all the facts and all the evidence that support our designation packages. And so that's why we're acting today.

SENIOR ADMINISTRATION OFFICIAL TWO: I would just briefly discuss the second question. As we speak, our talks are ongoing in Vienna among our experts, and I was there on Monday and these are extremely, extremely technical conversations between us and our P5+1 partners, Iran, and also, significantly, the IAEA. And the conversations really focused on making sure that the mechanisms to have effective implementation, and most specifically and importantly, verification by the IAEA is in place before the implementation D-day begins.

So as soon as that process is complete – and they're chipping away, yard by yard, making progress – we'll have a date to announce on the implementation. But until that process is complete, there won't be a date announced.

MODERATOR: We have time for about one or two more questions.

OPERATOR: Your next question comes from David Sanger, *New York Times*. Your line is open.

QUESTION: Thanks, and thanks for doing this call. There was a place in the announcement today where you identify at least one company that was providing aid on centrifuges. I have two questions for you: One, can you tell us a little bit more about what exactly they were providing?

And then in a larger sense, since the agreement refers to envisioning a final agreement in which there could be some enrichment activity in Iran, if that final agreement was actually reached – if in the course of that you decided to allow some limited enrichment, as the President discussed on Saturday, in Iran – does that mean that as a result of that, there would be a lifting of sanctions on enriching equipment? Or would sanctions remain even if – in your vision, even if Iran was permitted some limited capability?

SENIOR ADMINISTRATION OFFICIAL ONE: Hey, David. I think – look, as to what we can say about the particular entities that are being designated today, I think the release is the sum total of what we're able to say about the entities. And in terms of what the sanctions relief might be in some agreement that is struck down the road that – the shape and contours and content of which I think nobody today knows is very hard to predict. So I can't tell you what the sanctions on WMD activity will look like if we are able to reach a long-term comprehensive agreement with the Iranians. It's just too speculative at this point.

OPERATOR: Your next question comes from Laura Rozen, *Al-Monitor*. Your line is open.

QUESTION: Thank you both for doing this. [Senior Administration Official One], can you speak a little bit to the discrepancy in reports on the numbers in the sanctions relief during the six-month joint plan of action? Secretary Kerry testified about \$7 billion total, he thought, over six months. But I continue to see reports, even in *The New York Times*, citing – some people saying they think it might be 20 billion.

And then for [Senior Administration Official Two], having been in Vienna, once you all agree on a process for overseeing implementation of a joint plan of action, is the sense that then there'll be ongoing high-level negotiations for the comprehensive agreement, that those will get underway in the next month or so? What's your sense of how it moves forward on that?

SENIOR ADMINISTRATION OFFICIAL ONE: Look, I've seen that recent report of this \$20 billion figure that is sourced to some Israeli security official. It's completely fantastical. There's no reality to it. The value of this deal is – our estimate is that it's between \$6- and \$7 billion. That's if Iran is able to take advantage of the limited commercial opportunities in here in the petrochemical and auto sectors, which will be, frankly, quite difficult for them to take advantage of in the six-month duration of this joint plan. That's what this relief package is worth. I don't know where that \$20 billion figure came from. It certainly did not come from anyone who has any real knowledge of this package.

SENIOR ADMINISTRATION OFFICIAL TWO: Yeah. Thanks, Laura. I would just say, as you know, the joint plan of action is not an interim agreement. It's the first step towards a comprehensive agreement. And in that regards, as soon as the implementation process begins, as soon as the verification mechanisms are in place – and verification mechanisms are really one of the most important elements of the joint plan of action – we'll have six months to negotiate a comprehensive agreement. So I think the assumption would be that you'll see a very intense period of diplomacy to try to reach that agreement. And whether or not we get there, we don't know, but we're certainly going to try. So as soon as implementation begins, I think that process will begin in earnest.

MODERATOR: Thank you all for joining us today. That concludes our conference call.

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