

# U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Remarks By Acting Under Secretary for Terrorism and Financial Intelligence Adam Szubin at the Atlantic Council and The Iran Project Symposium

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*As Prepared for Delivery*

**WASHINGTON** – Thank you, Ambassador Eizenstat, for the kind introduction. And thank you to the Atlantic Council and the Iran Project for hosting me this morning.

The Atlantic Council and the Iran Project have contributed so much to the debate over the Joint Comprehensive Plan of Action, or “JCPOA.” So this is a particularly appropriate forum to discuss the JCPOA, and I’m honored to be here.

Since I joined the Treasury Department, more than a decade ago, preventing Iran from acquiring a nuclear weapon has been a national security priority of the highest order. An Iran in possession of a nuclear weapon would directly threaten the security of the United States and the rest of the world.

That’s why the JCPOA is so crucial. It is a historic deal that will cut off all Iranian pathways to a nuclear weapon.

I’ll start with some background on the JCPOA, and explain how we got to this point. I’ll then discuss the timing for the lifting of sanctions if Iran holds up its end of the bargain. I’ll close by describing the non-nuclear sanctions that will remain in place – and our strategy to enforce the deal going forward.

### **The JCPOA: A Strong Deal**

Like all of our financial and economic sanctions, our Iran sanctions serve as an alternative between words and war. They were not meant to create economic pressure for its own sake, but instead to help bring Iran to the negotiating table.

With this goal in mind, we targeted Iran with the most ambitious and effective sanctions program in history. Across two administrations and with bipartisan backing in Congress, we reached an international consensus about the danger of Iran’s nuclear program. We worked to obtain tough UN Security Council resolutions imposing pressure on Iran. And we essentially isolated Iran from the global financial system.

Our sanctions worked as intended. Iran would not have come to the table as seriously as it did were it not for the powerful array of sanctions robustly enforced by the U.S. and our allies around the world. And once Iran came to the table, we reached a strong, comprehensive deal that closes every pathway to an Iranian nuclear weapon.

That agreement is not based on trust, but on intensive verification and scrutiny.

It is designed to move forward in phases, lifting certain sanctions only on what we call “Implementation Day.” Implementation Day will arrive once the International Atomic Energy Agency (IAEA) verifies that Iran has completed the nuclear-related steps set forth in the JCPOA. Iran, through its own implementation schedule, controls when that date will be.

If Iran meets its commitments under the deal, then we will meet ours, and the sanctions specified in the JCPOA will be lifted.

### **Iran’s Economy: The Impact of Our Sanctions**

To understand what lifting sanctions may mean, we need to look at the state of Iran’s economy in the years leading up to the JCPOA.

Many of Iran’s banks, including its Central Bank, have been cut off from the rest of the world. The value of Iran’s currency has declined by more than 50%. And Iran’s oil exports have fallen by 60%, depriving Iran of almost \$160 billion in oil revenue since 2012.

Put simply: Iran’s economy faces immense challenges. Its banks remain isolated internationally. Its inflation rate is one of the highest in the world. And it confronts a mountain of debt and domestic needs totaling well over a half trillion dollars.

In the face of these challenges, the JCPOA offers Iran the prospect of phased sanctions lifting. When Iran completes the key nuclear steps that will close off all four pathways to a weapon, the U.S. and our international partners will lift sanctions, expanding the scope of permissible business activity for non-U.S. persons with Iran.

So after Implementation Day, for the first time in many years, non-U.S. persons will be able to purchase unlimited amounts of crude oil from Iran without the risk of U.S. sanctions. And for the first time in many years, we will not sanction foreign investment by non-U.S. persons in Iran’s energy sector.

Now, not all of Iran’s economic problems are traceable to sanctions. For example, the World Bank ranks Iran at 118th in the world in terms of ease of doing business.

Lifting sanctions won’t cure all of Iran’s underlying systemic problems. But Iran needs to start somewhere. And it can start by fulfilling its commitments under the JCPOA.

### **The Road Ahead: Implementation Day**

We are on the road to Implementation Day. But we are not there yet.

While the U.S. and our international partners will proceed to lift sanctions when we reach Implementation Day, until that time, trade that was off limits before the JCPOA remains so.

Before Implementation Day, companies can prepare for, but not consummate, trade that will no longer be sanctionable after Implementation Day. This means that non-U.S. companies and individuals can engage in exploratory discussions, in Iran or elsewhere, about the possibilities of conducting business in Iran after Implementation Day. Still, preparing for business involving Iran is different than finalizing that business. Entering into contracts involving Iran prior to Implementation Day may be sanctionable. For this reason, I would urge anyone interested in doing future business with Iran to seek expert guidance.

To that end, OFAC will publish clear and detailed guidance to ensure that the business community fully understands the sanctions that are due to be lifted on Implementation Day – and the non-nuclear sanctions that will remain in place. If questions remain, people should bring them to OFAC. We are here to help.

This all does not mean that companies must avoid Iran. The U.S. will not stand in the way of business activities in Iran that are consistent with the JCPOA.

It does mean, though, that companies going into Iran need to take care. They need to conduct the due diligence necessary to ensure that their Iranian counterparts are not affiliated with designated individuals or organizations, such as the Islamic Revolutionary Guards Corps (“IRGC”) or its network of companies.

That won’t always be easy. Iran suffers from a serious lack of anti-money laundering controls, and therefore presents substantial money laundering and terrorist-financing risk. Private sector institutions looking to do business in Iran can help change that, by insisting on knowing their Iranian customer.

We will continue to support the work of our partners in the private sector in this regard. But ultimately, if Iran wants to benefit fully from new, long-term relationships with international financial institutions, it is up to Iran to make the necessary financial reforms.

#### **After Implementation Day: Sanctions That Remain**

I would also urge the business community to keep in mind that many non-nuclear U.S. sanctions will apply even after Implementation Day. This includes the U.S. domestic trade embargo and our primary sanctions, with a few limited exceptions.

We will continue to prohibit U.S. persons from engaging in most transactions or dealings with Iran, including the Government of Iran (GOI) and Iranian financial institutions. And we will continue to prohibit Iranian companies from opening accounts with U.S. banks or otherwise accessing the U.S. banking sector.

While these restrictions remain, we have committed under the deal to license three narrow categories of activity involving Iran that would otherwise be off-limits under our domestic trade embargo.

First, we will authorize the export, re-export, sale or lease of U.S.-origin commercial passenger aircraft and related parts and services to Iran, which will help improve the safety of commercial air travel for every-day Iranians.

Second, we will authorize the importation of Iranian-origin carpets and foodstuffs into the United States.

And third, we will authorize foreign subsidiaries owned or controlled by U.S. companies to engage in certain activities with Iran or Iranian persons that are consistent with the JCPOA and U.S. law.

These three areas come on top of the limited trade with Iran that we have long authorized. For many years, we have allowed U.S. companies to export certain food, medicine, medical supplies, and agricultural commodities to Iran. We have also licensed the export of goods that help the people of Iran communicate more freely.

#### **Countering Iran’s Destabilizing Activities**

Despite these limited authorizations, I must emphasize that the JCPOA will only impact our nuclear-related sanctions.

The deal does not affect our non-nuclear sanctions, such as those designed to combat Iran’s destabilizing activities in the region and throughout the world. We will continue to counter Iran’s support for terrorism and regional destabilizing activities, its human rights abuses, and its ballistic missile program.

So, following implementation of the JCPOA, more than 200 Iran-linked firms and individuals will remain sanctioned because of their ties to terrorism, human rights abuses, or other activities outside the scope of the deal.

For example, powerful sanctions will remain on the IRGC, the IRGC-Qods Force, and their subsidiaries and senior officials.

Sanctions will also remain in place on key Iranian defense entities. This includes the Ministry of Defense Armed Forces Logistics, otherwise known as MODAFL. And this includes the Defense and Aerospace Industries Organizations, DIO and AIO respectively, which have done much of Iran’s missile work.

Last, but certainly not least, sanctions will remain on Iran-linked entities supporting international terrorist groups, including Hizballah. For example, we will continue to sanction Mahan Air, Iran’s second largest airline, which we designated for acting on behalf of the IRGC-Qods Force and carrying deadly weapons to Hizballah. There should be no doubt about our willingness to aggressively implement and expand sanctions against those supporting Hizballah’s destabilizing conduct in the region.

All of the entities I’ve just listed will remain designated after Implementation Day. Let me emphasize: even after Implementation Day, non-U.S. persons who knowingly facilitate significant transactions with a designated Iran-linked entity or individual risk losing access to the U.S. market. And, the same would apply if non-U.S. persons provide material support to any such designated entity or individual.

#### **A Note of Caution: Snap Back**

Returning to the deal, I want to be clear to both supporters and opponents of what we achieved: if Iran violates the deal after we have lifted nuclear-related sanctions, we are ready to snap them back into place.

Let me also be clear that I hope there is no need for us to snap back our sanctions. We very much want Iran to meet its commitments under the JCPOA. But as we focus on successfully implementing the deal, we must also guard against the possibility that Iran fails to comply with the agreement.

For U.S. sanctions, we can snap back quickly. Multilateral sanctions at the UN also can be re-imposed rapidly, through a mechanism that does not allow any one country or group of countries to prevent the reapplication of current UN Security Council sanctions if Iran violates the deal.

Along these lines, we continue to coordinate with our foreign allies, in Europe, Asia, and elsewhere, to ensure that all parties adhere to the terms of the JCPOA. The worldwide consensus and cooperation we achieved to pressure Iran before the deal will remain critical if Iran decides to cheat or walk away from the agreement.

Finally, some of our partners have expressed concern that Iran can commit an array of minor violations over time without facing consequences. If there are small violations, we can address them through calibrated responses. We retain full flexibility, from partial measures to total snap back, and we will respond as appropriate.

**The JCPOA: Moving Forward**

In closing, after a long and healthy debate – made all the more vigorous by many of you here today – the bottom line is that the JCPOA prevents a nightmare scenario. We needed to neutralize an imminent threat: that a leading state-sponsor of terrorism would obtain a nuclear weapon. And we have.

We are now moving forward to implement the deal. Coordinating closely with our international and domestic partners, the United States will work to ensure that Iran fulfills its commitments, and we will ensure that we fulfill ours.

We hope that Iran does so, and that their civil society can see the potential economic benefits that are on the table. It is not our policy to punish or deter business activity in Iran that is consistent with the JCPOA.

We are also prepared, though, for the unfortunate scenario in which Iran fails to comply. And, while we are focused on successful implementation of the deal, we will continue to combat Iran's destabilizing activities outside its scope. I can tell you that these programs remain one of Treasury's highest priorities – and where I, personally, will continue to focus much of my energy in the weeks and months to come.

Thank you again for hosting me today.

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