

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Acting Under Secretary Adam J. Szubin Truman Project Global Conference 2016

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As Prepared for Delivery

WASHINGTON - Thank you so much, Matt. As some of you know, Matt and I worked together when he was at the Defense Department. I don't think I'm telling you anything you don't already know when I say you are lucky to have him as a founder and leader. He is an exceptional mind and colleague.

I also want to thank Mike Breen for inviting me to speak today. It's really an honor to be invited, and to address the Truman Project.

Many of you, like Mike, served in uniform. Many others have dedicated your careers to other vital forms of service – as policy makers, diplomats, or frontline civilians, here in the U.S. or across the globe, working to keep our country safe. I see this commitment firsthand: many of my colleagues are Truman alumni, from State to Defense to my own staff at Treasury.

So let me start by saying thanks, really, to each and every one of you – for your service, and for your sacrifice. You all have much to be proud of.

I'm here to speak with you about our sanctions approach on Iran, and about the Joint Comprehensive Plan of Action – the JCPOA – as we near the one-year anniversary of reaching the deal. It's hard to believe that it's been that long. Although given the tenor of the debate on this issue in D.C., it sometimes feels like I've aged a lot more than a year since last July.

But before I get into the specifics of the deal – and the sanctions that helped us get there – I wanted to speak briefly to some broader points about how we use sanctions. Not just vis-à-vis Iran, but across the whole range of our sanctions programs. Because while sanctions have become an increasingly prevalent tool to advance our foreign policy, the underlying principles and objectives of sanctions are not always well understood.

The Use of Sanctions

Secretary Lew delivered an address on sanctions at the Carnegie Endowment in March. If you haven't read his remarks, I commend them to you. You won't be surprised to hear that I think my boss got it exactly right.

The top-line point made by Secretary Lew was that the underlying goal of all sanctions is to change behavior. As the Secretary explained, sanctions are "forward-looking, intended to keep illicit or dangerous conduct out of our system and create pressure to change future behavior."

We don't use sanctions to vent frustration. We don't use sanctions to levy punishment for past misconduct, and we don't use them without a clear policy objective in mind.

We use sanctions to disrupt illicit activity, and to help change the strategic calculus of our adversaries. Like diplomacy, they are a means to an end, not an end in themselves.

Accordingly, when we impose sanctions, we must clearly articulate what behavior needs to change, and be ready to make good on relieving sanctions when we achieve our ends.

Not too long ago, the conventional wisdom dismissed sanctions as blunt and ineffective – harmful at times to civilian populations, but rarely effective in changing the calculus of those who threatened us.

That's obviously changed. Thanks to improvements in our financial intelligence capabilities, the strategic design of smart, targeted measures, and sustained efforts to ensure broad and robust implementation, today's sanctions have become one of our most effective foreign policy tools – smart power for scenarios where diplomacy alone isn't working, but military force is not the appropriate response.

We've seen that, most dramatically, with Iran.

Targeting Iran's Nuclear Program

Shortly after I started at Treasury, in 2004, we saw with alarm the progress that Iran was making in its covert nuclear program, and understood that this was a national security threat of the highest order. From that time, the men and women of my office have devoted hundreds of thousands of hours to our sanctions on Iran, so as to help change its strategic calculus.

Over successive administrations, and working with a bipartisan group of Members of Congress, we ratcheted up the pressure, beginning with the banks and businesses Iran was using to support its nuclear program. And Treasury was by no means alone in this effort.

We worked with the intelligence community to identify Iranian front companies and trace movements of funds through hidden accounts; with the private sector, here and abroad, to strengthen the vigilance about the threat posed by Iran; with law enforcement and regulators, to hold sanctions violators accountable; and with Congress, to sharpen our sanctions and deepen their impact.

We also worked closely with our diplomats and foreign counterparts to build the broadest possible sanctions coalition – to make clear to Iran that the price of its illicit nuclear program was complete isolation from the international community. We knew our sanctions would be most effective if imposed multilaterally.

Our teams at State and the UN traveled the world to enlist support for sanctions targeting Iran's nuclear program. And they found it – not just from traditional allies, like the EU, Canada and Australia, but also others, with close commercial ties to Iran – including China and Russia. These countries may not always agree with us on everything. But on the threat posed by Iran's nuclear program – and on sanctions targeting that threat alone – they stood with us. By 2010, four UN Security Council resolutions had imposed serious costs on Iran.

Still, even with the world united against its nuclear program, Iran at first refused to make the necessary concessions. And so, working again with Congress, we imposed secondary sanctions on Iran's banking and oil sectors, which threatened foreign companies with severe consequences for certain offshore transactions involving Iran.

There was yet more pressure to come. The European Union imposed an oil embargo. Other major importers of Iranian oil – including China, Japan and South Korea – agreed to significant reductions in their purchases. These efforts resulted in a 60 percent drop in Iran's oil exports, putting massive pressure on government revenues.

As the pressure built over time, we never lost sight of our goal. In a channel with Iran, opened by Bill Burns and Jake Sullivan, we emphasized that the sanctions pressure could be eased under the terms of a verifiable nuclear deal. And while we made little progress at first, the election of President Rouhani sped up the process, leading to a preliminary deal with Iran in 2013 that effectively froze its nuclear activity, and created the time and space for two more years of serious negotiations.

The JCPOA

You all know the outline of those negotiations by now, and of the deal that emerged. The bottom line is that the JCPOA is a tremendous breakthrough, and that is a credit to the diplomatic efforts of Secretary Kerry, Under Secretary Sherman, and Secretary Moniz; of the teams at State, Treasury, and Energy; and of our partners in the P5+1. They negotiated a comprehensive agreement that eliminates one of the world's most serious national security threats, without a shot fired or a life lost.

That's not just my view. You all studied the deal, and reached the same conclusion. As the Truman Project said last year: "The agreement closes off all of Iran's potential avenues to a nuclear weapon, gives us access to their entire nuclear supply chain, and imposes the strictest monitoring and verification regime ever negotiated in the history of non-proliferation."

That's exactly right. Today, we know from the IAEA that Iran has kept up its side of the bargain: dismantling 2/3 of its centrifuges, permanently disabling its reactor at Arak, and removing all fissile material from its underground facility at Fordow. Iran has also accepted an unprecedented verification regime, including continuous monitoring of all of its declared nuclear facilities.

Before the deal, Iran was a few months from having enough fissile material for a potential nuclear weapon, and it was steadily advancing. Now, Iran's breakout time has been extended to at least one year.

That is a huge advance for our security, and for that of our partners in the region. And it is the best example of how a well-defined sanctions effort, coupled with tireless diplomatic engagement, can succeed.

The Sanctions Lifted

When Iran met its commitments under the deal, we did the same.

We've lifted all of the sanctions we promised to lift. And we've issued clear and detailed guidance explaining what that means. We've issued more sanctions guidance in the last year than at any time in our history.

We've also traveled the globe to offer such guidance in person – to explain, to foreign governments, banks, and companies, that the U.S. is not standing in the way of business permitted under the terms of JCPOA. And while we've encountered some challenges with implementation over the past six months, I can say today that the U.S. has thus far lived up to every single one of the commitments it made in the deal. Every single one.

Doing so was, and is, in our national security interest. Since the goal of sanctions is to pressure bad actors to change their policy, we must be prepared to provide sanctions relief when we see that happen. Iran changed its nuclear policy, and so we needed to change our nuclear-related sanctions, to sustain Iran's incentive to comply with the deal's terms.

If we hadn't followed through in this way, we would have undermined our credibility – not just with Iran or our international partners, but with every bad actor who considers changing behavior to avoid the sting of sanctions.

We've followed through here, and Iran is seeing the benefits. It has gained access to billions of dollars in reserves; opened new bank accounts around the world; and greatly increased its oil sales. According to recent press reporting, since sanctions limits on Iran's crude oil sales were lifted, its overall exports have doubled to about 2 million barrels per day. At the same time, Iran has signed agreements with major international companies, including aircraft manufacturers. It is also beginning to line up investors to bring desperately needed money into Iran's lagging economy.

For a country that was experiencing extraordinary economic isolation less than six months ago, the deal has brought significant dividends.

All that said, it's no secret that some are still hesitant in dealing with Iran. Some foreign companies have indicated they do not want to take on any business in Iran, despite the sanctions lifting. And a number of large international banks have said that the risks are too large.

In some instances, these concerns center on business conditions in Iran: on corruption, lack of transparency, or Iran's designation as a high-risk jurisdiction by the Financial Action Task Force, or FATF, the world's standard-setting body for anti-money laundering and counterterrorist financing. In others, the concerns focus on Iran's malign activities outside the nuclear arena, and the resulting non-nuclear sanctions that remain – which I'll turn to in a moment.

These are all real concerns. And it's up to Iran to address them – by modernizing its economy, increasing transparency, and moderating its conduct.

If Iran wants more business, Iran needs to address these problems head on. As President Obama said in April: "Iran has to understand what every country in the world understands, which is businesses want to go where they feel safe, where they don't see massive controversy, where they can be confident that transactions are going to operate normally."

Iran has begun to internalize that its problems stem from more than just U.S. sanctions. Just a few hours ago, the FATF recognized Iran's adoption of an Action Plan to address its strategic anti-money laundering and counter-terrorist financing deficiencies. But Iran remains on the FATF blacklist, and for good reason – it has a lot more work to do. As the FATF stated, until Iran fully implements its Action Plan, "the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system" – and will continue to call for enhanced due diligence on transactions involving persons from Iran.

Beyond the Nuclear File

Now, as we said throughout our negotiations, the JCPOA aimed at addressing the nuclear program only. Removing the threat of an Iranian nuclear program is a massive achievement, but we still face a range of threatening behavior outside the nuclear file.

Iran continues to be the world's leading state sponsor of terrorism. It supplies funding and weapons to the Houthis in Yemen, to Hizballah, and to the brutal Assad regime. It continues to develop its ballistic missile program, and to threaten Israel with aggression. And it continues to violate human rights.

As we expected, Iran has not moderated this conduct since the implementation of the JCPOA. And, as we promised, we have continued to target this behavior, with interdictions, with diplomatic pressure, and with sanctions.

Recent Treasury designations have targeted key supporters of Iran's ballistic missile program; agents of Mahan Air, which facilitates the terrorist activities of the IRGC-Qods Force; and a central Hizballah money laundering network.

We will keep after these types of targets with all of the means at our disposal. And we will do so now, thanks to the JCPOA, with the nuclear threat off the table – putting the U.S. and our allies in a far safer position.

I want to be clear. Like the nuclear-related sanctions we have now lifted, the sanctions that remain are not meant to punish. They are intended to pressure Iran to change its calculus on terrorism and regional destabilization, on ballistic missiles, and on human rights – just as our now-lifted sanctions helped push Iran to change course on its nuclear program.

We have demonstrated to Iran, through the JCPOA, that we are prepared to lift sanctions when they have achieved their objective. That was true when it came to the nuclear program, and it could be true on other issues going forward. But if Iran wants to see non-nuclear sanctions lifted, Iran needs to change the behavior that justified those sanctions in the first place.

That path is always open to Iran. If Iran chooses that path – one of progress, and further economic opportunity for Iran's people – we are willing to engage, as we long have been, on the sanctions that remain.

The onus is on Iran to make that choice.

Conclusion

In closing, let me turn back to the JCPOA.

We're almost a year out from the conclusion of the deal, and less than six months from its implementation. There will be challenges ahead. But we are well prepared to meet them, and to ensure that the deal stands the test of time.

Because the deal achieves the goal we set out when we designed our nuclear-related sanctions. Our sanctions, when combined with our diplomatic efforts, helped cut off all of Iran's pathways to a nuclear weapon – removing a grave threat from a region that cannot afford further destabilization.

That is a credit to many of you here today who have worked with us: to shape our sanctions policy, and to push for strong and principled diplomatic engagement on Iran. And it is a testament to the importance of sanctions as a foreign policy tool – one we will no doubt draw upon as we confront other threats in the months and years ahead.

Thank you very much.

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