

**Written Testimony of Adam J. Szubin, Acting Under Secretary for Terrorism and
Financial Intelligence
United States Senate Committee on Banking, Housing, and Urban Affairs
“Understanding the Role of Sanctions Under the Iran Deal: Administration Perspectives”
Wednesday, May 25, 2016**

Chairman Shelby, Ranking Member Brown, and Members of the Committee:

Thank you for inviting me to appear today to discuss implementation of the Joint Comprehensive Plan of Action (JCPOA), the nuclear deal we reached with our key partners and Iran. I am pleased to be here with my colleague from the State Department, Ambassador Mull.

I'll begin by explaining how the JCPOA has removed the threat posed by Iran's nuclear program – and how our persistent sanctions and diplomatic efforts helped achieve that result. I'll then outline the role non-nuclear sanctions continue to play in our approach to Iran, and describe our strategy to enforce those sanctions going forward.

The JCPOA

Since I started at the Treasury Department, in 2004, preventing Iran from acquiring a nuclear weapon has been a national security priority of the highest order. For more than a decade, we worked to ensure that Iran had no potential pathway to a nuclear weapon.

We did that by designing a sophisticated, targeted sanctions regime, and combining it with sustained diplomatic efforts to achieve multilateral support for our sanctions. Together with our partners in Congress and the international community, we imposed sanctions that put massive costs on Iran. That helped bring Iran to the negotiating table, and culminated in the JCPOA.

The JCPOA is a tremendous diplomatic breakthrough. It is a peaceful means of eliminating one of the world's most persistent national security threats – a nuclear armed Iran. And it has already paid huge dividends.

On January 16, the IAEA confirmed that Iran had completed its nuclear-related commitments in the deal. The IAEA has verified that Iran has reduced its stockpile of enriched uranium by 98 percent, removed 2/3 of its centrifuges, permanently disabled its reactor at Arak, and removed all fissile material from its underground facility at Fordow.

Iran has also accepted an unprecedented and comprehensive transparency and verification regime, including continuous monitoring of all of its declared nuclear facilities. In addition, Iran has committed to under no circumstances ever seek, develop or acquire any nuclear weapons, and agreed to prohibitions on activities that could contribute to the design and development of a nuclear explosive device.

Our diplomacy bore fruit. 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 beyond one year, and we are all safer because of it.

The JCPOA represents a sea change. It ensures that Iran's nuclear program is and will remain exclusively peaceful. And it is the most powerful example we have of how a multilateral sanctions effort, coupled with tough and principled diplomacy, can succeed.

Our JCPOA Commitments

Since Iran has kept its end of the deal, we must uphold ours.

We've done so by lifting the sanctions we committed to lift, once the IAEA verified that Iran delivered on its nuclear-related commitments under the JCPOA.

Let me reiterate what President Obama, Secretary Lew, and Secretary Kerry have all made clear: we are not standing and will not stand in the way of permissible business activities involving Iran. Nor are we blocking Iran's access to funds that are no longer restricted following the implementation of the JCPOA, or encouraging others to do so.

That will remain true for as long as Iran upholds its end of the bargain. Because creating economic pressure, on its own, was never the purpose of our nuclear-related sanctions. Instead, the goal was to help bring Iran to the negotiating table, where Iran would accept far-reaching constraints on its nuclear program in exchange for certain sanctions relief.

Iran has verifiably implemented its nuclear commitments. We, in turn, have kept our commitment to lift the nuclear-related secondary sanctions that had been in place. We've also issued clear and specific guidance explaining what that means – just as we do when we make significant changes to any sanctions program.

It is in our national security interest to ensure that the JCPOA works as intended and stands the test of time. And it is therefore important to fulfill all of the commitments we made in the deal.

To do otherwise would not only undermine Iran's incentive to comply with the deal's terms. It would also undermine our own international credibility, and our corresponding ability to use sanctions to change behavior in the future across the range of national security threats we target with our sanctions programs.

The Impact Thus Far

Iran is already seeing the benefits of this deal. It has opened new banks accounts around the world. It has gained access to billions of dollars in reserves. And its oil exports to Europe have recovered to about half of pre-sanctions levels.

That said, some are still hesitant in dealing with Iran. That was to be expected.

That does not mean that we have failed to live up to our end of the bargain. We have kept every single commitment we've made in the JCPOA, lifting all nuclear-related secondary sanctions as promised.

What it does indicate is that, even with the nuclear concerns resolved, international companies still have concerns about doing business in Iran. Many of these concerns are not about sanctions.

Some are concerned about Iran's financial transparency standards, and the designation of Iran as a high-risk jurisdiction by the Financial Action Task Force, the world's standard-setting body for anti-money laundering and counterterrorist financing. Others have noted concerns about corruption, as well as regulatory and other obstacles to conducting business in Iran. And still others are concerned by Iran's provocative non-nuclear behavior, including its active support for terrorism and ballistic missile testing.

As President Obama said recently: "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."

As Iran pursues more business, it is incumbent on Iran to address such problems – to undertake meaningful reforms, and create an environment in which businesses feel secure.

The Sanctions that Remain

I've talked about the sanctions relief commitments we have delivered under the JCPOA. But I also want to be clear about what the deal does not mean.

First, with certain limited exceptions, we have not changed the primary U.S. embargo on Iran.

The embargo long pre-dates our concerns with Iran's nuclear program. In addition to longstanding humanitarian exceptions, the JCPOA includes limited exceptions to the embargo, covering the case-by-case licensing of the sale of commercial passenger aircraft, parts, and services, the import into the United States of Iranian-origin foodstuffs and carpets, and certain activities of foreign subsidiaries of U.S. companies. But the embargo otherwise remains as is.

That means we will continue to prohibit U.S. persons from investing in Iran, importing or exporting to Iran most goods or services, or otherwise engaging in commercial or financial dealings with most Iranian persons or companies. Iran will also continue to be denied access to U.S. markets.

Along these lines, let me also say clearly that we have not promised, nor do we have any plans, to give Iran access to the U.S. financial system, or to reinstate what's called the "U-turn" authorization.

Additionally, we have not lifted any of our sanctions designed to counter Iran's destabilizing activities outside the nuclear file. As we made clear to Iran and our international partners all along, the JCPOA does not affect our non-nuclear sanctions.

These sanctions are not just words on paper. We are vigorously enforcing them.

As we do so, we bear in mind that such sanctions are not means to punish or vent frustration. They are intended, together with other tools, to pressure Iran to change its strategic calculus on terrorism and regional destabilization, on ballistic missiles, and on human rights – just as our now-lifted nuclear sanctions helped to push Iran to change its calculus on its nuclear program. And if Iran makes such a change, then these sanctions, too, could one day be lifted.

Yet, Iran continues to be the world’s leading state sponsor of terrorism, and to play a significant role in destabilizing the region. It supplies funding and weapons to Hizballah, to the Asad regime, and to the Houthis in Yemen. It continues to develop its ballistic missile program, in contravention of UN Security Council provisions. And it continues to violate human rights.

Thanks to Congress and the President, we already have the sanctions authorities necessary to counter this type of activity. And I can tell you, as someone who has spent his career designing and enforcing sanctions against Iran – our existing authorities are extremely powerful.

Any Iranian or Iran-related person that we have sanctioned and put on our SDN List – or that we add to the list in the future – is subject to secondary sanctions. That is a stark threat: a foreign bank that does business with such a person could face a total cutoff from the U.S. financial system.

Under our current sanctions regime, more than 200 Iran-linked firms and individuals remain sanctioned on non-nuclear grounds. That number includes the Islamic Revolutionary Guards Corps, or IRGC, the Qods force, and their subsidiaries and senior officials – all of whom we will continue to target and expose.

That number also includes major Iranian defense entities, which have done much of Iran’s ballistic missile work. Indeed, since the implementation of the JCPOA, we have continued to impose sanctions on supporters of Iran’s ballistic missile program.

Since the implementation of the JCPOA, we have also continued to impose sanctions targeting Iran’s support for terrorist proxies.

Hizballah is a key example. In late January, we sanctioned a major Hizballah financial support network, which was laundering criminal proceeds to support Hizballah’s terrorism and destabilizing activity. And just last month, we published new sanctions regulations to implement the Hizballah International Financing Prevention Act of 2015 – a law which gives us yet more tools in our campaign to destroy Hizballah’s financial networks.

After many years of sanctions targeting Hizballah, today the group is in its worst financial shape in decades. And I can assure you that, alongside our international partners, we are working hard to put them out of business. The JCPOA has no impact on our efforts on this front.

Ultimately, we are clear-eyed about the nature of the non-nuclear threats posed by Iran. We will continue to combat these threats using a range of tools at our disposal – including by enforcing existing sanctions, and by designating new targets when appropriate.

Conclusion

In closing, I want to reiterate that, thanks to the JCPOA, we can now counter such threats with the nuclear threat off the table – putting us, our allies, and the world in a safer position.

I also want to assure this Committee that the Treasury Department will continue to work closely with Congress as we implement our existing sanctions to counter Iran’s non-nuclear activity, and to serve our overall national security goals – just as we did in the years preceding the JCPOA.

Thank you again for inviting me to appear today. I look forward to your questions.