

TIP Call with Ambassador Mark Wallace

Omri Ceren: Thank you everybody for joining us this afternoon, morning for those of you on the west coast. We know that there have been a ton of conference calls going around trying to unpack what is, both the structure and the substance of the deal that was signed in Geneva last weekend. One of the things that we've tried to highlight and to help with is, we've sought to facilitate discussion specifically about those two areas. About how, you know, what the west got/what the international community got versus what they gave up. And there has been misreporting on it, and there's been a lot of confusion on it, so we were hoping to move that conversation along by gathering folks today and putting...giving them the opportunity to hear from Ambassador Mark Wallace, who is the CEO of United Against Nuclear Iran (UANI). He, of course, served previously as the ambassador to the United Nations, representative for management and reform.

The organization itself, UANI, has often supported a variety of federal and state legislative and regulatory initiatives, the goal of which was to enhance Iran's economic isolation, both at a granular level and at the broadest level. They also have been at the forefront of targeting individuals and corporations overseas that have sought to loosen that isolation. I don't want to take up anybody's time more than we need to, so at this point I will turn it over to Ambassador Wallace, and then at the end we will open it up for questions. Thank you.

Amb. Wallace: Thank you very much for the introduction. I want to get straight to the point for the listeners. I want to throw out two I think somewhat provocative but important notions. I'd like to challenge the notion based upon what we've seen throughout the 120 or so days since President Rouhani was elected, that there is such a thing as sanctions easing, and that whether or not you can truly regulate sanctions like a spigot, as has been proposed by the administration. I'd like to challenge that assumption with really clear facts that have developed over that time; and the first instance, I'd also like to discuss the mutually defined enrichment program that was spelled out in the Geneva agreement that promises Iran an enrichment program and the difficult policy challenges that poses to a variety of our allies that we have entered into agreement with that preclude their enrichment but allow nuclear energy, and perhaps the double standard that has evolved there. So let me start with sanctions easing and the notion of that, you know, one of the things that we've seen, is both de facto sanctions easing and the promise of real sanctions easing in the Geneva agreement.

We would, based upon our analysis, and I think our group, the one of area of frankly experience that we have that is quite unique, is we probably have dealt with more businesses, CEOs, individuals regarding the impact of sanctions than anyone, just because that's the nature of our work – we call on businesses and individuals to end their Iran work. And I think that what you've seen since the outset, since the election of President Rouhani, is really an interesting form

of sanctions, of de facto sanctions easing. We look at the factors that go into sanctions as being, you know, really four areas:

You have to have really strict laws and regulations, increasingly strict so that businesses know it's only going to get harder. You have to have real enforcement. And there has to be reputational risk – all culminating in a psychological impact on an economy. Those are what we think are the elements of a successful sanctions regime. And really from the outset of his election, we haven't had the adoption of new laws and regulations. There has been very limited, if any, enforcement actions for current sanctions violations. Because of the diplomatic rapprochement, which, you know, we all look forward to and we all hope there is positive fruit, reputational risk is declined. All of that has served to begin to let the air out of the sanctions balloon. And even to this day, what is one of the best, actually we think is one of the best measures of the impact of sanctions, is on the evaluation of the Iranian Rial. At this time last year, the Rial and the Iranian economy was suffering from hyperinflation, meaning the Rial had lost extraordinary value, increasing the cost of everything in Iran, really showing a true impact of the economic pressure regime against Iran.

Today, what we've seen is an easing of that pressure, and the Rial has rallied by nearly between 25-30%, even before the impact of the Geneva agreement. When the Geneva agreement was signed, the Rial improved...oh, I would say, 4% in a single day. So I think it's a legitimate question to pose: Is there such a thing as sanctions easing that's analogous to a spigot? I think our experience suggests that regulating sanctions as precisely as one would with a spigot, a faucet, is misplaced; and that sanctions easing are much harder to regulate. And once you pull back and roll back sanctions, it has an accelerant type effect and sanctions and economic pressure evaporate much, much more quickly. So we have real concerns about that. And we, in the wee hours of Saturday night and Sunday morning, we expressed our concern about the Geneva agreement in one way: we thought it was disproportionate. We thought that there was far more significant sanctions rollback, and really not such a thing as sanctions easing, in comparison to really no rollback of the Iranian enrichment program. Where we can debate the various aspects of the agreement, in terms of locking the Iranians into their current program, I think it's beyond argument that really Iran didn't rollback its program.

We believe the Geneva agreement is concerning in a few ways, particularly that it's disproportionate in the sense that it rolls back sanctions, we think, far more severely than is acknowledged, and that there hasn't been a current rollback, a commensurate rollback, of the Iranian enrichment program.

Our second point that we've been focused on, and that we're going to focus on today – I think we're concerned about the issues regarding the nonproliferation community. I think our concern flows that the agreement, and there's been a lot of debate. I think the Iranians have been celebrating that the interim agreement acknowledges its right to enrich or that it will have an enrichment program – our American colleagues said, “No, it doesn't acknowledge a right to

enrich; just that the Iranians will be allowed to enrich as part of a comprehensive agreement.” Different interpretations, but the actual language of the agreement says that the final agreement will involve a mutually defined enrichment program with mutually agreed parameters. I think that that language will be increasingly controversial. The reason for that is, under the proliferation architecture we’ve had. Many of our allies, from United Arab Emirates to South Korea to others, have been asked to forgo enrichment as part of being part of the NPT and adhering to the gold standard of the proliferation regime. I think that that will be very complicating to our allied relationships around the world and the NPT architecture that a variety of countries have either expressively or politically promised to forgo enrichment when in this agreement we seemingly are condoning or acknowledging that Iran as part of a final agreement will be permitted to enrich. I think that will cause real longer term issues amongst the proliferation architecture around the world. I think that is something that policy makers from the White House to our executive branch and in Congress should be concerned about and we should be prepared to answer, deal with that in a manner that does not allow the NPT to unravel in a disconcerting way. I’m happy to take any questions. I would admonish not to talk too long so that we can have questions. Omri let me throw it open to any questions.

Omri Ceren: Ok, operator? So while people queue up, we got a couple questions by email that came in before and one during the call. The first has to do with the controversy that broke late yesterday, I guess midday yesterday, about the implementation mechanisms that may or may not be in the agreement. There were articles in both *The Hill* and *The Washington Free Beacon* and the White House went on the record saying that the implementation had not yet been worked out. I wonder if you could clarify what the stakes of that are? What’s at stake? What clocks have started running, what clocks have not started running? What have the Iranians gained in the meanwhile before the interim agreement, apparently, even begins to take effect?

Amb. Wallace: I think the real question is the clock. My colleague Gary Samore, who recently met with President Obama’s administration and is the president of our group, has raised, appropriately, the notion that six months from now, we could be in a position where we have to look at another two months or another six months, and then we’re at a year. I think it’s really a question of the clock. When does the clock start running? And when will we say, you know, no more overtime. You know, when you look at this agreement and it’s a very fair question to raise, is when does the clock start running? The clock, in my opinion, should start running now. But clearly in this joint plan of action, there are a lot of details to be worked out. And I think the clock should start running now, but there are those that are taking the position that it will only begin to run once you have the workings of this agreement fleshed out. That would be very, very unfortunate, because, of course, we’ve seen Iran in previous Iranian regimes, you know, use the clock to their advantage to gain time to continue to build what is now an industrial scale nuclear program. I think our concern is that the longer they have in an industrial scale nuclear program, the smaller the window becomes to breakout capacity. David Albright and others suggest that right now, what’s frozen under this joint agreement is only, perhaps a few months from a nuclear

weapon if they chose to develop a nuclear weapon. I think that should be a concern for all, and we should all rigorously police the clock.

Omri Ceren: One more question that, I guess, it's related to that, it came in separately. To what extent has the breakout time been lengthened according to the evaluations that you guys have been doing. There's been debate about how much it's been lengthened; there's been debate about where it was before the agreement was signed. I was wondering if you could speak a little bit, now that people have had time to chew over the details of the agreement, to what degree the agreement actually did lengthen Iran's breakout time.

Amb. Wallace: You know that, I think, is a very important question and I was talking to a close colleague that had expressed that for years the United States and the P5+1 and the EU3 before that had sought a freezing in place of the Iranian program, and for years and years. And, I think that the best way to understand this issue is that if the Iranian program was frozen in place 5 or 6 years ago when they had far fewer centrifuges and was not yet an industrial scale nuclear enrichment program, it would have been one thing. Right now, Iran has an industrial scale nuclear program and we have frozen that in place and we've frozen in place an industrial scale nuclear program. So the question becomes, what's the breakout capacity and whereas 5 years ago, the breakout time might have been 6 months to a year, I think, by David Albright, who people acknowledge as a real expert, Olli Heinonen who is on our board, I think that those nuclear experts express real concern that breakout time right now is maybe a month to three months and that we've gained very little additional time as part of this interim agreement to extend the breakout time. So should the Ayatollah, President Rouhani choose to develop a nuclear weapon, they could do so in, as short as, that amount of time. I think that is the concern about freezing Iran's nuclear program in place when it is an industrial scale nuclear enrichment program.

Omri Ceren: Okay operator, I know there are some people who are queued up for questions.

Operator: Thank you, our first question comes from Benny Avni with Newsweek.

Benny Avni: Good to hear from you. One thing that caught my eye looking at the agreement, at least as it was published by the European Union, is the whole deal with the insurance. From what I understand, insurance was a very important component of limiting Iran's ability to export oil. Can you talk a little bit about that and what would that entail?

Ambassador Wallace: Yea absolutely, and good to hear your voice Benny as well. I think that the real question is that I said that the sanctions architecture, we describe it as carefully... as the architecture of our carefully constructed house. And if you pull out any parts, the house can crumble. And I think our big concern, particularly on insurance, is that the far-reaching consequences of freeing up Iranian exports and the ability even to smuggle increases dramatically by ending the prohibitions on insurance, for example. Iran is using a variety of their tankers as floating storage in the Gulf right now because they have not been able to export and because it's very difficult for them to arrange non... insurance for their vessels or insurance for

other vessels to carry Iranian oil. So, by way of example, and I think it's a very good one Benny, by easing, in the words of the P5+1, restrictions on insuring Iranian cargo, you're effectively really easing the manner in which Iran ships oil far greater than just a technical issue of insurance. It basically allows...right now, it is almost impossible for Iran to legally ship any oil, including Presidential waiver oil. This makes it possible for Iran to potentially legally ship far more oil than we think is intended by the "sanctions easing" of this interim agreement. I think it's a very good example of the unintended and far-reaching consequences of an attempt to regulate that faucet or spigot which we think is not the correct analogy of the sanctions architecture.

Operator: Thank you. Our next question comes from Raymond Tanter with the Iran Policy Committee.

Raymond Tanter: Yes, um, the joint action plan states that there should be no new UN Security Council sanctions, no new EU nuclear-related sanctions and that the US administration, acting consistent with the respective goals of the President and the Congress will refrain from imposing new nuclear-related sanctions. Now, I have heard from this wording that the plan leaves some room for new sanctions currently being considered by the Congress on non-nuclear causes. So, as you well know, that for a while included human rights, terrorism, drugs, all of which have been cited previously to justify sanctions on Iran. My question is, what is the likelihood that the administration would veto such legislation, such a bill if it passed and became...was sent to the President? And, what do you think the reaction would be...? Did you get my question?

Ambassador Wallace: I did, I did. And I think it's a very fair question. Look, one of the risks all along of an interim agreement is it puts a very difficult circumstance where, as I said at the outset of the call, one of the elements of a successful economic pressure campaign against the Iranian economy is the notion that there will be ever-increasing sanctions. And, that has to be a fundamental part of the successful pressure regime that continues to impose leverage on the Iranians to ensure that they're at the negotiating table even. So, we think it's important that the Iranians and the global economy understand that, in the absence of a comprehensive deal, there will be ever-increasing sanctions on Iran. That has to be understood clearly. So, I would urge, and I think there's a bipartisan consensus really on this, you see members on Capitol Hill. They believe that there should be additional sanctions and Iran must realize that there will be additional sanctions in the absence of a real, enforceable comprehensive agreement that is acceptable to all parties. There will be increasing sanctions. So I think that you're seeing a bipartisan consensus hopefully emerging in that regard. And it can be constructed in a manner that allows our capable diplomats to continue to negotiate in good faith and make it clear to the Iranians that part of the sanctions regime is that there will be ever-increasing economic pressure on Iran, beyond even the current pressure if Iran does not strike a comprehensive deal that allays the international communities fears that Iran is seeking a nuclear weapon.

Operator: Thank you. I'd like to turn it over back to Mr. Ceren.

Omri Ceren: Thank you for that. We've got time for one more question that came in via email. And I guess it's in a way asking to put...to both contextualize a lot of the things we've just been discussing but also to act as a tiebreaker in a debate that has been raging in the policy community

with one side saying that, as Dave Cohen says, that anybody who thinks that Iran is open for business is out of their minds, the claim that there will be a downward spiral has been described in Foreign Policy magazine as fanciful. And then on the other side, the people including a lot of folks from your organization, Ambassador, that have been saying that there's a downward spiral. So the question is, whether or not you could contextualize how you think that spiral happens, above and beyond the possibilities. The specific question from this email was who and which actors are going to now think that Iran is open for business? Very specifically, how does it happen? Not beyond the theory, but a realistic scenario for a downward spiral.

Ambassador Wallace: Thanks for the question Omri. I think it's very important that Undersecretary Cohen who is, you know, a great public servant make good on the commitment that there be enforcement action on sanctions violations. And not just enforcement action, there was an enforcement action taken today, we certainly applaud that action, it was for illicit behavior from 2003-2007. It's vitally important that the Treasury Department continue sanctions enforcement proceedings for current sanctions violations to prevent that, as a key element of keeping economic pressure on Iran, and we're really concerned that the Treasury Department will be politically permitted to engage in those types of enforcement actions. Look, I think it's very important that the President, the Treasury, the State Department, the European Committee make it clear that Iran is not open for business. But even when President Rouhani and Foreign Minister Zarif – who we served with at the UN, he's a very capable diplomat – when they were visiting New York, there were reports that international businesses were potentially sitting down to meet, to begin their plans, to go back and enter Iran given the rapprochement. It doesn't take much for the international community, rightly so frankly, to see if there is the likelihood of an agreement between the West and Iran for them to start making plans. Iran has a big economy. But we have to make it clear. We have to make it clear. In the absence of a definitive and comprehensive agreement, that business is not... that Iran is not open for business. And that's multinational corporations, that's European businesses, that's small and mid-sized countries throughout Europe, that's businesses in the United States. If Iran truly comes to the bargaining table and enters into a full and final enforceable agreement, Iran should be open for business but not until that time.