John Hannah:

Good morning. My name is John Hannah. I'm a senior counselor at the Foundation for Defense of Democracies. On behalf of FDD, let me welcome you to this breakfast, where alongside the eggs and croissants, we're going to be serving up a major portion of what United States can or should do about the Iran's Islamic Revolutionary Guard Corps, better known as the IRGC. Can't promise you that this will be the healthiest thing in the world for you, talking about the IRGC, but it is certainly a topic of vital concern to the United States, especially in the wake of the recent nuclear deal.

Now, trying to assess the agreement that was reached two months ago in Vienna, you of course had to focus in the first instance on what the deal did about the immediate problem that it was supposed to solve. That is, you had to evaluate whether the deal actually made it more or less likely that Iran will one day acquire nuclear weapons. You couldn't stop there, because embedded in the deal were a whole series of potential second and third order consequences, that also had to be weighed in the balance to determine if the kinds of overall risk that the United States and its allies were taking, were really worth running in light of the deal supposed benefits.

I'm referring to things like whether the deal was likely to trigger a nuclear arms race in the Middle East or whether it's likely to weaken or strengthen the Iranian Regime's grip on power, but of these kinds of questions, that are technically at least outside the four corners of the deal itself. I don't think any of the questions is of greater immediate significance than the one that we're going to focus on today. That is, what does the deal mean for the IRGC and its overall support for terrorism and aggression across the Middle East and indeed the world.

Do the IRGC and its Special Forces branch, the Quds Force, stand to be major beneficiaries of the deal? Are we likely to see a meaningful upswing in Iran's stabilizing activities throughout the region? Will the deal likely make the IRGC a more permit-able and dangerous enemy for the United States over time? With greater capabilities to pursue its explicit mission of undermining and attacking American interests throughout the Middle East and eventually even driving us from the region entirely? If the answers to each of these questions is a depressing yes, what can the United States realistically do now that the deal seems to be fait accompli, to try and mitigate the risk and dangers that will be posed by an emboldened and empowered Revolutionary Guard Corps?

Now I should say, that there is a course of contrary perspective about much of this that, in fairness, we also need to put on the table. That's the more hopeful notion, that's not infrequently floated, usually by unnamed administration sources, that perhaps the deal over time will actually end up weakening hard lined forces like the IRGC, strengthening more moderate pragmatic elements inside Iran who have an interest in deescalating the country's conflict with the West,
and turning Iran into a more normal nation that so many of its young people genuinely do seem to desire. Now in this view, the deal could actually become a potent tool of subversion and transformation that promises to work from the inside to eventually put the IRGC and the Islamic republic itself out of business.

I personally wouldn't hold my breath on this. I don't think I'd bet US National security on it, but I do think it's a viewpoint that's out there that we might want to at least touch on in the discussion today. Now to help us sort through some of this, we're lucky to be joined by three of my FDD colleagues, who probably all have forgotten more about the IRGC than I will ever hope to know. In all honesty, when it comes to this particular subject, I doubt that you could have assembled in one room a more intricate intellectual fire power, than we've got with us today. You should already have picked up a copy of their full bios, but let me just offer a few of the highlights.

Let me begin down on the end with Ali Alfoneh. Ali is a senior fellow at FDD and one of Washington's top experts on the inner workings of the Iranian regime. Of particular relevance to our discussion today, he's the author of the book Iran Unveiled: How the Revolutionary Guards Is Transforming Iran from Theocracy into Military Dictatorship. Next, we're also joined by, in the middle, by FDD's executive director, Mark Dubowitz, who I think is, should be pretty well known already by anyone who's spent any time on the Iran issue in recent months. Particularly, up here on Capitol Hill. Mark is one of Washington's foremost authorities on economic sanctions, particularly as they relate to Iran having offered more than twenty subjects on the overall subject. Since the Iran deal was unveiled, Mark has testified four times before Congress and served as an important source of information and advice to members from both sides of the isle. I should also note that Mark is the executive director of FDD's very important Center on Sanctions and Illicit finance.

Finally, we've got Emanuele Ottolenghi. Emanuele is also a senior fellow at FDD. He's done extensive research uncovering the role of the IRGC and Iran's economy. In fact, he delivered very important testimony, just yesterday on the subject before the House of Foreign Affairs Subcommittee on the Middle East. For anyone looking for a really deep dive on the implications of the nuclear deal for the IRGC, I strongly recommend that you do pick up from the table a copy of Emanuele's written statement.

The way we'll work it today is, that we're going to forgo formal presentations and get right to the discussion. I'll start by posing a question or two to each of the panelist, but especially because our time is rather short this morning, I quickly wanted to open up to the audience so that you all can take as much advantage of the expertise up here as possible. What I thought I'd do with Ali is, I just start with you and kind of at least set the scene for us a little bit. As I mentioned briefly, there does seem to be a bit of debate about whether this deal will end up being a good or bad thing for the IRGC.

At minimum, there seems to be an emerging conventional wisdom in some quarters that the deal is a significant victory for Iran's President Rouhani and his more pragmatic camp. That the IRGC might not be too pleased by the deal or even opposed to it out right. President Obama has gone so far as to say that opponents of the deal in the US were making a common cause with Iran's hard liners and presumably that includes the IRGC. Now you monitor political events inside the
regime very closely, so I'm wondering if you can just kind of give us a clarity on this point. Is there something that we can call the IRGC view of this deal and if so, how would you characterize it?

**Ali Alfoneh:**
What we have seen are several commanders of the Revolutionary Guard particularly the chief commander, Major General Jafari, opposing the deal systematically. Throughout the entire process of negotiations, he has accused President Rouhani of giving into pressure from American imperialism, of having a phone conversation with the US president, which is damaging Iran's prestige in the Muslim world as the vanguard of the struggle against world imperialism. He has also accused Iranian nuclear negotiators of giving too many concessions to the permanent five plus one group. But that has all changed. Monday morning, this is last Monday, President Rouhani delivered a speech to all major commanders of the Revolutionary Guards, including Major General Jafari, even more so Commander Major General Qasem Soleimani, in which he said that, the government of Islamic Republic of Iran, needs the help of Revolutionary Guards to rebuild Iran's economy. Now that's a very important point, because President Rouhani has previously opposed interventions and engagements of the Revolutionary Guards in Iran's economy, but now he seems to have changed his position on this.

He's actively asking for the help of the Revolutionary Guards to help develop Iran's economy. That tells me very clearly, that there is a deal within the regime. President Rouhani is offering the Revolutionary Guards access to significant money and funding that he can secure from sanctions relief and the nuclear deal, in return for the Revolutionary Guards not opposing the nuclear deal. The Revolutionary Guards, which opposed the deal until Monday morning, may very well be perfectly happy with it now, because it realizes that the money is not going to Iran's, what remains of Iran's middle class and even the private sector. The money is going to be sent to the companies owned by the Revolutionary Guards. I think there has been a change in position of the guards concerning the deal.

**John Hannah:**
Yeah, fascinating. Let me just follow up on that. Emanuele, let me go to you for a few minutes to describe what the deal might mean. The kind of economic incentive that the guard may have in this that Ali referred to. US officials tend to make a lot of the fact that the vast majority of the sanctions actually in place on the IRGC are not going away as part of this deal. Why should we be worried about sanctions relief for the broader Iranian economy?

**Emanuele Ottolenghi:**
The administration is accurate when it says that the sanctions on Revolutionary Guards companies that have been designated will remain in place and those restrictions will therefore affect them. The problem is that the number of designations; there are two problems. The first is that the number of designations against IRGC companies over the years, falls way short of the actual number and size of the vast conglomerates running construction investment and other economic activities inside Iran. The administration has sanctioned nineteen individuals, twenty-three companies, two academic institutions and four branches of the military of the IRGC.
By our count there are at least four to five hundred companies that we can identify through open sources affiliated with the Revolutionary Guards. None of these companies is designated. None of these companies is identified as IRGC. When global business under the agreement, once implementation day arrives, decides to go back to Iran to engage in business, they will look to treasury and to US legislation for guidance to assess the risk in terms of engaging with Iranian counterparts. They will look through the OFAC list and say, "Okay, I can do business with these 19 individuals or these 23 companies."

Everybody else who's not on the list, who's not prohibited, is allowed. That's the first big problem. The second big problem is of course that, there will be a lot of business, both provided by public contracts given by the State of Iran and also business worked out with international companies where the main signatory to be business contract, will be a non-designated, probably public company say the national Iran oil company, which is slated to be de-listed on implementation day. Then that company will contract projects within that large tender to IRGC companies.

We cannot tell the Iranian authorities, 24 US sanctions against the IRGC and they won't of course and I want to give you one example. Iran has just inaugurated a project to build a 2.7 billion dollar speed train connection between Tehran and Isfahan. The project is partially funded, 1.8 billion dollars of the funding will come by Iran's Bank of industry and mine, which is on the STN list, but is slated to be de-listed on implementation day, so this will be de-designated company, European, Chinese, Asian, South American, African companies can deal with that. The main contractor for the project is US sanctioned, Khatam al-Anbia. Here you have a perfect example of a joint Iranian Chinese project, the rest of the funding will come from China. Where the main beneficiary will be the IRGC. This point south, the deficiency of the agreement, these will be the Revolutionary Guards. He will provide an enormous amount of funds and contracts and benefits to the guards, if not directly, indirectly.

**John Hannah:**
Mm-hmm (affirmative). Mark, I wonder if I could ... You can just pick up on what Emanuele identifies as a serious problem and vulnerability in sanctions relief and where ... Just expand a little bit on the IRGC role in Iran's economy, how large are we talking about. I wonder if you can also read into this your particular focus on the financial end of this and the banks and what the implications of that might be for the IRGC?

**Mark Dubowitz:**
Sure John. First of all thank you to everybody for coming here. It's a particular pleasure to be with my colleagues who've spent so long working on the IRGC. FDD has had a long standing project on the Revolutionary Guards, for many years and we intend to expand that project with resources devoted to really tracking the Revolutionary Guards and their multiple activities both within the region and within Iran and within the Iranian economy. On the economic side, the Revolutionary Guards are a powerful force. Their estimated control at least a sixth of the entire Iranian economy. Not just a sixth of the entire economy, they control the strategic sectors of Iran's economy. Financial, energy, petrochemicals, mining, construction, engineering, ship building, shipping, ports management, transportation and as Emanuele's spoke to, Khatam al-Anbia is their major conglomerate.
With 800 subsidiaries and 135,000 employees and tens of thousands of contractors and it be, IRGC through Khatam al-Anbia has been winning major no bid contracts for years on massive construction engineering, energy projects. What you've got is, you've got a force, the Revolutionary Guards through Khatam al-Anbia and through a number of foundations, like the IRGC Cooperative Foundation and the Basij Cooperative Foundation that control significant segments of the Iranian economy. I think, Emanuele, you did an estimate with one of our other colleagues Saeed, about the control of commodities on the Iranian stock exchange. I believe based on your assessment, one fifth of the publicly traded companies are on the Iranian stock exchange, are controlled either directly or indirectly by the Revolutionary Guards.

They're a powerful economic force and it's critical to understand, that with respect to sanctions relief as Emanuele said, while the US maintains designations on the IRGC itself and on Khatam al-Anbia, the Europeans are either immediately or after 8 years, going to lift most of the restrictions that are on Revolutionary Guards. Europe will become an IRGC economic free zone and the Revolutionary Guards will have the ability to do business with European companies and do business in Europe.

Europe is now their big economic prize, is why the Iranian government entered these negotiations, is starting to get Russian and Chinese money, it's to get European money, European investment and to sell oil to the Europeans, particularly after the oil sector was so badly damaged by the EU oil embargo and prohibitions on upstream energy investments, so that is a big economic prize and you've got dozens of Iranian banks that are being de-listed by the United States and by Europe immediately. Even though the four or five key IRGC banks that were specifically listed for IRGC reasons, will remain listed and if the terrorism bank, Bank Saderat remain listed, dozens of Iranian banks are going to be de-listed.

That means they're going back onto the swift financial messaging system. That means they're being plugged back into the global financial system and that means the Revolutionary Guards is free to use those financial institutions to facilitate financial transactions globally. You've got a situation now where despite the commitments by the administration to formally keep sanctions on the Revolutionary Guards itself, and on these companies and financial institutions as an angle and allude it to, you're opening up the entire Iranian economy to foreign business and foreign investment and you're opening up the global financial system to Iranian banks and their business counter-parties to do business with Europe.

One of the things that I think we should look at, I'll just hang quickly on this and we can have more discussion on this, is that, under US law the Revolutionary Guards are designated for proliferation purposes and then there are executive orders that apply for the Revolutionary Guards role in human rights abuses, their role in Syria etc. but the Revolutionary Guards have never been designated under US law for terrorism. A branch of the Revolutionary Guards called the Quds force, which is their extra-territorial arm, headed off by Qasem Soleimani, I know sure many of you know.

Donald Trump doesn't know who he is, but I'm sure many of you know who he is, the Revolutionary Guards themselves they control they Quds force, they've never been designated
under US law, for terrorism purposes and I think one of the things congress should think about is moving forward with a statutory designation of the Revolutionary Guards either as a foreign terrorist organization or under executive order 13224 for support for terrorism or both and we can talk about what the differences are and why it matters, but it's critical that we don't take a two week strategy with respect to the IRGC. With respect to Hezbollah and Hamas and al Qaeda and ISIS, the United States has been very consistent.

We don't distinguish between a political wing and a military wing, right like the Europeans for example do with Hezbollah, we designate the entire entity because we know that money is fungible and we know that the political wing controls the military wing and they're indistinguishable. Interestingly enough, respective the IRGC uniquely under US law, we actually are taking a two week strategy. We're refusing to designate the IRGC for terrorism, but we're designating its extra-territorial branch, the Quds Force for terrorism, so I would suggest congress taking a look at a formal designation of the IRGC in its entirety for terrorism under US law.

**John Hannah:**
Right, let me just quickly follow with either you or Emanuele, in terms of the size of the potential windfall where we're talking about that may fall into the guards' pockets, is there any way to try and estimate that and what would it be?

**Emanuele Ottolenghi:**
I don't think you can put an accurate figure but it is in the tens, possibly more of billions of dollars. Just an example, the head of the railways authority of Iran, has announced the program to modernize the train, the railway network inside the country, pledged 25 billion dollars in contracts to do that and said we will bring in foreign companies for the projects and the technology and Iranian companies will carry out these projects.

There you have 25 billion dollars pledged publicly by one authority, one sector, and you know that a very significant amount of that will go to IRGC companies to carry on the projects, so we're talking about tens of billions of dollars and of course, then you have to look at other sectors as well. Mark mentioned the stock exchange. Stock exchange has not been performing very well, in the short term, but as the economy grows and prosperity comes to the country again, long term you can expect that to grow. The IRGC has approximately 20, 25% of the stock exchange in a variety of investments. That just brings revenues through yields and dividends to the companies that will be more money for the guards so without giving you an actual accurate number, I will say over the course of the next three to four years, we're talking about in the range of fifty to a hundred billion dollars. Between contracts, investments, projects and sales.

**Mark Dubowitz:**
If you want to add it to that, if you look at the 2015, 2016 Iranian budget, you'll see the allocations to the Revolutionary Guards directly. To the Basij, to the Ministry of Intelligence, to the defense budget of which the Revolutionary Guards have slated to get I think approximately 60% and their double digit increases in the Iranian budget specifically allocated to Revolutionary Guards and actually if you pick up a copy of Emanuele's testimony, you also see the number of policy breaches on our websites, that talks about this. You'll see that there is a significant windfall to the Revolutionary Guards from the public budget, never-mind all of these other
contracts that Emanuele is talking about, that Rouhani has specifically allocated significant double digit % increases to the Revolutionary Guards in their public budget and I think this gets to Ali’s point, and Ali maybe you want to expand on this a bit, but about the essential quid pro quo that is going on between Rouhani and the Revolutionary Guards with respect to the nuclear deal and the economic goodies that the Revolutionary Guards are going to get in exchange.

**John Hannah:**
Ali, can I just when you talk about this, I do want to get in before we go to the audience, just, what is a thing likely to do with this windfall? Okay this money comes in today into the hands of the IRGC, do we have good indicators of what this means for the region, for the IRGC, because force activities in places like Syria, Iraq, Lebanon, Yemen, the rest of the region, so if you can talk about that as well?

**Ali Alfoneh:**
Sure so what we have seen is an increase of Revolutionary Guards’ engagement in Syria, and to some extent also in Iraq. The Revolutionary Guards is a, an economical is self-sustaining apart from the Government budget, they get the monies through their own companies and this is how they are financing their activities outside of Iran. In Syria those activities include help to the Russia-Assad Government. Suppressing the popular uprising against the regime which in reality also perpetuates the civil war the Syria. The more money the Revolutionary Guards is using in Syria, the more money we are likely to see Sunni supporters of radical Sunni groups give to their own militias in Syria so I mean the war unfortunately just continues on and on and most unfortunately, the nuclear deal and some of the funds which are released to Islam, the public of Iran are going to finance those activities, to say something which is even more worrying from US perspective, you also see the Revolutionary Guards using that money to recruit foreign volunteers to the civil war in Syria.

Including a good number of people that are from Afghanistan, it is Hazari-Shia Muslims, I have counted approximately 200 casualties, people who died. Afghan citizens who were recruited by the Revolutionary Guards in Iran in return for approximately $500 per fight per month, to fight the civil war in Syria. A substantial amount of money is being channeled to that and just imagine, those people, when they return to Afghanistan, they're going to see substantial Sunni war between Iran and South Arabia, also playing out in the Afghan field, so this is some of the problems that you have when the Revolutionary Guards is called on more money. I do know that many US officials believe that their money is very small, but the truth is that, in this type of warfare, you only need marginally more funding in order to continue your war.

**John Hannah:**
Yeah, Mark?

**Mark Dubowitz:**
That's true, though I would just point out that according to the UN special advisor on Syria, the Iranians are funding Bashar al-Assad 2 to 6 billion dollars a year, so if you look at the fully loaded cost of what it takes to basically run the war in Syria, from an Iranian accounting perspective, you're looking at $6 billion dollars in cash in kind, you're looking at the cost of having the Revolutionary Guards and the Quds Force on the ground there, directly finding and
advising the Assad government and then you're looking at these cash payments that Ali is talking about, for respective foreign recruits. You're looking at not in the millions of dollars, but in the billions of dollars for the respective, fully loaded cost and so you can imagine that this sanctioned windfall which is going to be $90 to $120 million dollars in oil escrow funds plus unfrozen assets. At a $20 billion a year estimated oil sales being based on these little oil prices, plus petrochemical, plus auto plus all of this upstream-energy investment, you're already seeing a significant windfall for the IRGC.

As I said it's reflected in the public budget that Rouhani has released. Which underestimates and understates the extent to which the Revolutionary Guards are going to get hard cash from this deal, but it already shows double digit increases. You're seeing an emboldened, enriched Revolutionary Guard and also on that, I think is going to be particularly adept to Emanuele's point, in hiding itself and hiding its fingerprints in these transactions with the Europeans. Because the Europeans finally now they can do business in Iran and the strategic sectors of the Iranian economy, without doing business with the Revolutionary Guards, they're are going to have to do business with the Revolutionary Guards, but it's going to be incumbent on these companies and these financial institutions to try and do sufficient due diligence to make sure that their counter-party on their business transactions on a designated, US designated IRGC entity.

As Emanuele said, we have very few designated IRGC entities, so it's actually easy for the Europeans to find clean entities, that haven't yet been listed. In effect, we have very few restrictions on the Revolutionary Guards and their economic activity, which is exactly the way the Europeans want it right now. If we're going to do anything serious about setting a target around the Revolutionary Guards for the terrorism, the human rights abuses, for the extra-territorial activities in Iraq and Syria and the administration says we're going to be serious about imposing non-nuclear sanctions, we're going to have to impose serious non-nuclear sanctions on the Revolutionary Guards and maybe we can do this in Q and A, I mean I have some serious doubts about this administration's commitment to do so because the JCPOA itself provides Iranians with an argument to make a claim that any sanctions that are imposed on Iran, nuclear or non-nuclear, would constitute a violation of the agreement in least in Iranian eyes and they would then threaten to walk away from the agreement so.

**John Hannah:**
Yeah, Emanuele you had a point.

**Emanuele Ottolenghi:**
Yeah just a quick point. I am cognizant of the importance of trying to give a, more or less accurate figure to how much money, as consequence of this deal the IRGC will be able to get and so channel to regional policies that its regime is drawing. I think it's very important to make the following point mainly that Iran's regional policy, Iran's support for the Assad regime, Iran's support for Hamas and Hezbollah, Iran's push back against US influence in the region is not a function of how much money they can put into this mission. It's not that if Iran is having a bad budget year or if Iran's oil revenues go down, they will say, "You know what, we are going to change our priorities, these things are less important."
These policies are the core ideological call of the Islamic revolution and the IRGC is the core element in charge of the funds and the goals of the revolution. Even if Iran is broke and they have to sell the tiles of the mosque in Isfahan, to some art collector, they will do that to continue to promote these policies. A deal that actually increases the amount of revenue, improves their economy and puts the main players in that economy in a better, stronger, economic position. Those players will know it. The IRGC and the supreme leader's business empire means that they will have a lot more resources to assert, consolidate and strengthen their influence inside the country and promote the core policies that define what the Islamic revolution is.

**John Hannah:**
Okay we haven't even got to the biggest, Mark mentioned some of the things we might be able to do to actually try and mitigate these risks of this dramatic windfall to IRGC and limit the possible damage to US interest and the aftermath of this deal and I hope that will take place in some of the Q and A, but I do want to throw it open to all of you and see if there are any questions out there? I think we've got microphones, and if you can just identify yourself, please and keep your question short.

**Thomas Storch:**
Hi, Thomas Storch from the Zosima group. Ali, you've commented in the past that the guards even under a sanctions economy were selling cigarettes, all sorts of things, I've seen much broader than that, but the companies you mentioned but they were still doing relatively well. So under a proforma of sanctions lifted scenario, it seems that other groups, Hazaris and others, will relatively benefit more. Can you sort of comment on what the proforma relative power structure looks like internally and who this sort of benefits and who's seen as a relevant loser?

**Ali Alfoneh:**
I think that President Rouhani's speech on Monday tells us that a deal has already been worked out between the political level, the techno-critical elites of Islamic republic lead by President Rouhani and the Revolutionary Guards. The guards, the only reason or one of the main reasons that they are opposed to a nuclear deal was of course their fear that markets would open up and there would be further investment and that's the strength then the private sector didn't want. President Rouhani seems to have assured the Revolutionary Guards that even if there is going to be further investment, those investments are going to be made in the companies of the Revolutionary Guards and that is the deal that he has been working out with the Revolutionary Guards to not oppose the nuclear deal. Who else is going to benefit from it? Well in the best case, we may see a slight help, lifeline almost to the extremely weakened private sector in Iran, but I do not see them challenge the power of the Revolutionary Guards.

Huge conglomerates like Khatam al-Anbia construction based, those things I simply do not see. Even if President Rouhani wants to help those sectors, he is, himself under pressure. Let's not forget, supreme leader Ali Khamenei he needs the support of the Revolutionary Guards. Which institution was it in 2009 which was out suppressing the Green Movement, it was the Revolutionary Guards. Now they are demanding their share of money and if Khamenei is going to ignore the Revolutionary Guards, he cannot count on their support, next time there is going to be another Green Movement. So unfortunately I have to say I'm very pessimistic about the prospects of the private sector in Iran, getting hold of any significant amount of that type of
money, so we are not going to see the rise of the Iranian middle class challenging the regime, because the deal is actually going to perpetuate the current power structures and type of military dictatorship that is in the making.

**John Hannah:**
Another question?

**Mark Dubowitz:**
In a sense it's like Russia, I mean today if you want to business with Putin’s Russia, in strategic sectors the Russian economy, I mean there's no private sector, there no private actors to go to. You do business with Putin or you do business Putin's coterie of oligarchs. I mean it's that kind of power structure in sort of analogous terms. So, you've got to see the Revolutionary Guards as sort of praetorian guard of the regime and I think as Ali's alluding to Khamenei depends on the Revolutionary Guards for not only regime legitimacy but regime survival. What we we're going to see is, I think what we are all saying is a massive chaos for the Revolutionary Guards, who'll be the main beneficiary of this nuclear agreement.

**John Hannah:**
Yeah, please.

**Tom Delare:**
Hi, Tom Delare, State Department, retired. I used to work on sanctions and also corruption at the department. I have a question about how you might view the process of corruption, from an internal point of view and the Iranian's point of view? I think if there's anything we can conclude is it's a sign that it's unable to control that problem and this might be something that is advantageous to us in the future in that, I have no expectation of money flowing into the revolutionary guard will go to any of the proclaimed purposes, that should be able to be picked up by the street in Iran, it would be disgruntled with, say, "Where did the results of the deal go?", and nobody can answer that. I think that's something we have to look at in future, it gives us an advantage of something to point to.

Secondly, corruption again, there's going to be a real heating throughout Iran. European companies, American companies are actually trying to secure contracts, there's a lot of law we can use to prevent money under the table, so we can try to secure those contracts. A little bit of embarrassment would go a long way, if we had more of the major European or American firm trying to secure a contract, to share in this $150 billion dollar projects and I think you have to take the long view and say, "Start looking at cases and bring it to public attention, political attention." The change of administration hearing you may find effective prosecutions or European agreement to prosecute some of their own if they can prove something less nefarious in securing a major contract.

**Mark Dubowitz:**
All right I think that's a great insight, first of all thank you for your service at the State Department, and for everything you've done on this issue. I mean it's interesting, because the corruption angle is a fertile opportunity for administration.
Emanuele looked into this, the supreme leader has something called the execution of a non-committees order, which is essentially his hol-co, his holding company which Reuters estimates to be worth about $95 Billion dollars and it's through EIKO that the supreme leader in joint ventures with the Revolutionary Guards has moved and taken control of significant assets in the Iranian economy. The US administration actually to its credit, designated EIKO 2013, was it?

Emanuele Ottolenghi:
2013.

Mark Dubowitz:
2013 and the basis of the designation was corruption. Unfortunately they are de-listing the supreme leader's holding company on implementation day, which is six to twelve months from now. A great opportunity I think was lost to send a clear message to the Iranian people that we will not tolerate corruption and that even though we're doing a nuclear deal and providing you ultimately with hundreds of millions of dollars of sanctions relief, we want that to help the private sector and the Iranian middle class. We want to actually bolster the modern forces within Iran, but of course we've gone the other way de-listing the supreme leader's corrupt-co. I think that there is, Tom to your point, we have executive orders, we have legislation action that you've passed, congress has passed specifically targeting Iran for corruption and those authorities do exist and under the right circumstances, we should enforce those, we use those authorities and enforce that legislation and target corruption, because any corruption as you say has a very potent, political message, particularly to those forces within, inside Iran who are trying to, trying to bolster.

John Hannah:
Ali do you want to just comment, I mean is this issue of the expectations, the popular expectations of what might come from this deal and the gap, that the delta, that there will be between that and what actually happens, and who benefits from deal, is that a potentially potent issue within, in Iran?

Ali Alfoneh:
With your permission, I will start with a really short joke. President Ahmadinejad was having a press conference, because United Nations had declared Iran the second most corrupt country in the world. The press was attacking him, Mr. President the Iranians, we deserve better and what is this result?" Ahmadinejad, the President says, "You gentlemen of the press don't understand anything, have you any idea how much we had to bribe the UN not to be the most corrupt country in the world?"

Everybody knows there is lot of corruption and now there are a lot of expectations among the Iranian public. In February 2016 there's going to be Parliamentary election in Iran. President Rouhani is going to tell the Iranian voters that he delivered what he promised in the course of the campaign. He promised people a nuclear deal, now the Iranian public is saying, well Ahmadinejad, was on top of management of Iran's economy, he's no longer there and you got the nuclear deal, where is the money you promised us? Then Rouhani is going to have a very difficult time explaining to the Iranian public that all the money is actually going to bypass the Government of Iran, is going to be directed to the Revolutionary Guards and that of course is
disastrous for President Rouhani. In that sense, I believe that President Rouhani is committing the same mistake as his predecessor in office, President Rafsanjani, during ... Towards the end of the Iran/Iraq war, Mr. Rafsanjani promised the Revolutionary Guards that their companies would have all the money, all the projects to build Iran after they have gone to war.

He, in return was demanding that the Revolutionary Guards should not intervene in the political sphere. You make money, you do business, don't intervene in politics. Rouhani is expecting the same thing from the Revolutionary Guards. He's telling them, have all the money you want, but don't interfere in the political process, don't oppose the nuclear deal. Exact opposite is going to happen, because when the Revolutionary Guards has the money, they are going to back their parliamentary candidates in February 2016. They are going to attack Rouhani for not delivering upon his economic promises to the Iranian public. In that sense I see Mr. Rouhani as a loser, not as a winner of his so-called victory.

Emanuele Ottolenghi:
Can I just?

John Hannah:
Yeah.

Emanuele Ottolenghi:
Just a brief, sorry, two very brief points, the first is that on the corruption element and how the Iranian public will react to it, I happen to be a little pessimistic. For the following reason, I spend a lot of time monitoring and looking and you could even say stalking on social media, a lot of Iranians who were involved in sanction relation. They will no longer be involved in sanction relation, because there will no sanctions so, but and all of the people that I follow and others I'm aware of, almost invariably are the kind of sophisticated, cosmopolitan, well-traveled, highly educated, westernized, moderate Iranians.

They some of them went to top US institutions of higher education, I can think of one who went to Harvard Business School was doing business with the IRGC, I can think of another one who was at George Washington who was part of the money laundering scheme, these are people who have been perhaps forced by the circumstances of their country, have been complicit with the regime's activities over the years. Have prospered as a result of that. May actually have no choice but being involved in that way to prosper more and will also be alongside the guards cashing in rewards for their services.

To rely on this upper middle class that seems to be open to more western standards of economic practices and so on, is actually to only see their superficial outward participation in the global world. Deep down they are participants and complicit in this vast corruption scheme. I think that your point about European companies is a lot more important and [inaudible 00:45:28] it's not more important. Both points were important, but it's a lot more promising. Because European companies don't want to be on the wrong side of US law and also have to preserve their reputation and to some extent, deal with their own domestic legislation.
One possibility is to push for European companies do demand an exclusion clause for IRGC participation in the contracts that they sign. They should basically say we are going to do our due diligence on who's our client and who's our partners, but also we demand our partners to provide us the tools for due diligence and if we discover that you're lying, we will walk away and demand damages. This is a way to defend themselves for the potential fallout from dealing with the IRGC or other corrupt elements of the regime. It is a way to send a message to the Iranians. It is also a way to expect that business going back into Iran, will do their homework better than they used to, before sanctions were implemented.

**Mark Dubowitz:**
I would just add to that, I mean for congress we operationalize that, is to go back to legislation that was passed by congress with respect to SCC filings. For European companies, that are publicly traded, over any international company, publicly traded on a US stock exchange, because of congressional action right now, they I mean under SCC filings have to file the nature and extent of the Iranian business. Well you could actually stand on those filing requirements, because it goes back to IRGC disclosure. They would have to disclose the nature and the extent of their business transactions, where the counter party in that business transaction, is a revolutionary guard company and not just a listed revolutionary guard company but one that is suspected to be a revolutionary guard company based on open source information.

I think Emanuele eluded to information that we have which tracks I think about something over a 1000, probably about 1300 IRGC companies and senior managers, based on open source reporting that we've actually turned over to the US treasury department and most of those companies and individuals have not been designated, I think three were designated of which of the three, two are being delisted, so I met one Iranian entity or person under 1300, 1400 entities and individuals that we've turned over to US treasury department will remain listed. That leaves the 1300 that are not and so if you actually marry the open source reporting on who is IRGC with an SCC requirement that publicly traded companies have to disclose the nature of their revolutionary guard activity, then you actually have a way that not only gets to the public domain, but actually hold the European and other international companies accountable for the business transactions they do with the Revolutionary Guards and I think that would be a pretty powerful tool for congress as it leads through, how to counter revolutionary guard aggression and activity.

**John Hannah:**
Other questions?

**Don MacDonald:**
Yeah. Don McDonald with the House of Foreign Affairs. The lack of designations is a real challenge because even if ... I can't envision a scenario where congress says, "Hey there's this list that FDD has provided to the Treasury Department, you have to disclose if you're doing business with any of those guys even though the Treasury Department hasn't designated them yet." The question is how, what can congress do to get Treasury to designate more of those entities or at least have some semi or irreficial list of entities that we're not relying on kind of press reporting and kind of weaker open source information?
Mark Dubowitz:
Don, I think it's a great question and I mean I think there's various ways that it can be done, I think you, you played a major role in legislation that's already on the books with respect to Revolutionary Guards and I think one of the interesting ways of also to be require determinations, so you give the administration 60 days to make determinations whether a specific list of individuals and entities are IRGC or not. Whether you rely on our lists or other lists, we'll tell you a little bit more about how we compiled our lists, but you actually...

Don MacDonald:
I don't meant to criticize or...

Mark Dubowitz:
Yeah, no I understand.

Don MacDonald:
Saying that the list isn't good, but...

Mark Dubowitz:
You're on the list by the way. Just to tell you how good it, no jokes aside, the reality is you, but then again you could require legislation, the President, the Treasure department to make determinations within a certain period of time and you've got to then pass, for example the national rig and oil company where you gave US Treasury Department, I think it was 60 days or 30 days to make a determination whether the national rig and oil company is IRGC controlled. Actually the administration came back and found they were. Interestingly enough under the deal, the IRC control masquerading oil company has been delisted by the United States and Europe upon implementation day. Obviously you're not going to require 1300 determinations, but certainly you could prioritize from that 1300 some of the key nodes of the IRGC network and ask for those determinations to be made.

Emanuele O	tolenghi:
If I may just second what Mark said and also add two quick points, the first is that the entire modus operandi of the, not just the IRGC but the Iranian corporate sector that does the bidding regime, is to ensure that their corporate structure eludes, and bypasses legislation by the US and other countries putting sanctions on Iranian activities. It's a bit like, they basically took a textbook out of all the offshore jurisdictions, they looked at how Lichtenstein and the British Virgin Islands and other such offshore jurisdictions provide discreet incorporation that is shielded away from the public eye and then multiplied it by 10 and added a few, other creative mechanisms, and that's how they build their companies.

Treasury operates under the law and the law basically demands the Treasury establishes and determines that the IRGC owns a company by 50% plus one or the government of Iran and that is the basis for designation. All of the companies we've looked at, failed to meet their test or most of them. When you look at their, the corporate structure, which is mastery of obfuscation, what you find is that the owners of these companies are actually owned by the company they own themselves, so often times they're shell gaps if you wish. The key to identify IRGC influences is that what you find is that these companies are all addressed at the same address as
Khatam al-Anbia. They have four or five out of five members of the board of directors that are representatives of Khatam al-Anbia or the IRGC corporative foundation, so one way congress can actually help Treasury go after these companies more aggressively, is to change the definition of ownership and control by lowering the threshold, expanding the criteria, that's one way of helping Treasury pursue more designations.

The second thing that I would say is that, once companies have been designated, they almost an individuals, they almost invariably leave the shell on the side and build new structures, so you have to follow these individuals. When, it's great that Khatam al-Anbia is under sanctions but Treasury has sanctioned its commander or CEO in 2010. He became oil minister in 2011, so he was no longer the commander of Khatam al-Anbia. Khatam al-Anbia has a new commander. He is not designated. Mr. Ebadollah Abdollahi the new commander of Khatam al-Anbia can tomorrow travel to the London Conference on petrochemical opportunities in Iran and present the work of his front companies as potential partners and contracts. He needs to be designated, so the follow up and the continues work of catching up with the shell game is also crucial for US sanctions to continue to be effective.

Mark Dubowitz:
Can I just say a quick comment, I think Don also we were talking about the designations, and Emanuele's right, 50.1% requirements I mean lowering that threshold, would all be very useful. I think we should lose sight of the fact that short of designations, any kind of disclosure requirement, whether US administration would have to disclose the IRC companies, even when the ownership is below 50%, or that companies and their SCC filings would have to disclose or that the counter party has an IRGC presence in terms of shareholdings or corporate board dominance or senior managers who are IRGC, any kind of disclosure requirement, even if there's no designation, it's likely to send a signal to the international financial community, business community, that if you do business with said entity, even though they're not formerly designated under US law, there could be reputational consequences, there could be legal consequences for example for those who are trying to enforce judgments on behalf of victims of Iranian terrorism.

If congress can design some kind of a reporting requirement that gets the names of these entities and individuals out there, you may be able to have a chilling effect on the business of the Revolutionary Guards short of a designation requirement which obviously has a high threshold in treasury despite the great work they do, it's just not going to be able to keep up from a designation point of view with this huge pipeline of IRC companies that are being generated as Emanuele's said every day.

John Hannah:
All right, we've a, getting very close to the end of this, I wonder if Mark in particular, I can just ask you to try and wrap up, summarize and get on the table what you think the agenda going forward might be for both congress and hopefully for the administration for people who really do want to get serious about not obviously stopping this deal but doing whatever we can in a number of theaters but particularly with respect to the IRGC and mitigate some of the potentially quite high, high risk that we've discussed here today, and mentioned about what the secondary consequences of this deal might be for American interest, these would be the IRGC and its
activities throughout the Middle East, if you can just give us your short list of what that agenda would look like operationally, what the United States ought to be thinking about doing.

Mark Dubowitz:
Sure John, first of all I would commend that everybody should read Emanuele's HFAC testimony, which is, copies are over there. I think it's an excellent analysis of the Revolutionary Guards and their role in the Iranian economy. It also contains, on page 25 a superb list of recommendations, that all of which are operational. I'll do a quick summary of them and then full credit to Emanuele and the team for some great ideas.

As I mentioned earlier, I think it's critical that the congress consider designating the IRGC for its terrorist activities, either as an FGO or under executive order 13224 or both and there are some distinct differences between both designations, either or both would be consequential.

Second, it should be, congress should declare, that it's a policy of the United States that the IRGC is one organization and it's responsible for all the activities of its subsidiaries and branches. We need to get rid of this false distinction between the IRGC and the Quds force and the Basij and get rid of this belief, which we don't apply to any other organization that has been designated as a terrorist organization that there is a distinct political wing that has no control or responsibility for the terrorist activities or its subsidiaries.

That are congress use the future trade agreement with Europe to limit the IRGC's ability to operate in Europe. Again, the fear that we have is that Europe will become an economic free zone and the US trade representative has significant leverage over the terms of what we finally agree to in this USE free trade agreement.

Clearly we don't want to see European companies doing business with the Revolutionary Guards. Emanuele already alluded to this or spoke explicitly about this about increasing the number of designations of individuals and companies affiliated with the IRGC by lowering the ownership threshold from 50.1% to something below that, so we actually capture the significant influence of the Revolutionary Guards and, is there anything else, yeah, I think I spoke about this already, but a sort of IRGC watch-list, where congress will require Treasury to create an IRGC watch-list. Which will report companies that don't reach the threshold for designation, but have IRGC involvement.

I actually think this would be a valuable tool for the international business community. I speak to a lot of financial institutions and energy companies and insurance companies, and they have a major compliance problem, right? As a result of all these sanctions and that compliance problem will remain, in fact if you're on the side of the fence that says we should be supporting economic activity with Iran, right, as an incentive for the Iranians to comply with the nuclear deal, then you should actually support an IRGC watch-list that provides international business and international financial institutions with a list that they can go to say, "All right, this transaction is not with the IRGC, so I'm okay to move ahead with this transaction."

Otherwise you can create a situation where you may get no international businesses doing business with Iran because everybody's terrified that any business transaction is with the IRGC.
Then you get no business transaction and you actually create a situation where the expectations of economic relief are not met, giving the Iranians incentive not to comply with their nuclear commitment.

Whether you're for the deal or against the deal, whether you want to keep all business out of Iran or whether you actually want to incentivize Iranians to do business with the outside community, an IRGC watch-list would actually be useful, in actually providing some clarity on who exactly is IRGC and who is not. Emanuele already talked about exclusion clause for any commercial activities with designated IRGC entities, that is something that congress can operationalize so again, I suggest the testimony is excellent, I would be reading a lot more on this issue and happy to engage with you and your office is on this issue, but ultimately just to conclude the Revolutionary Guards are the most dangerous entity within the Iranian regime, they are the most radical entity, they're in control of the nuclear program, Iran’s ballistic missile program.

They're responsible for the slaughter in Syria, they're responsible for regional destabilization and they are in charge of a vast system of domestic repression in Iran. It is actor, that way whether you are for the deal or against the deal, it's an actor that we should seek to weaken and marginalize in order to actually help the more modern elements of the Iranian society and economy to thrive and to get some benefits if we're going to help moderate this regime in time, because we don't have much time before those key restrictions on Iran's nuclear program begins sun-setting and Iran expands its program.

**John Hannah:**
Okay great thank you Mark and again I would encourage everybody that there's just an enormous wealth of information at FDD, I think we've only scratched the surface today and for anybody who does have questions or want to follow up, we've got a terrific congressional team, particularly people on the Hill that want to do that, Toby Dershowitz, Boris Zilberman and Tyler Stapleton who I think are all here, but always at FDD and on call and ready help in any way that we can to further this really important agenda and address this tremendous challenge to the United States and our interest in the Middle East and more broadly. With that, we'll close. Thank you for coming and please help me thanking our panelists.