

ZARATE: Welcome, everybody. Welcome to the Foundation for Defense of Democracies. Welcome to the Center on Sanctions & Illicit Finance for what is no doubt going to be an incredibly interesting and hopefully entertaining discussion.

Certainly a timely discussion around the issue of Iran and U.S. relations and we're incredibly honored to have our guests today. The panelists we've assembled. First and foremost, we have Jay Solomon here, who has now published his book, *The Iran Wars, Spy Games, Bank Battles, and the Secret Deals that have Reshaped the Middle East*. You've seen copies out in the lobby area. Those are for sale.

Jay, congratulations on the book. Really honored to have you here to discuss the book and to prompt this broader discussion. We're also honored to have three of the financial warriors that are characters in Jay's book. And not just characters, because they are characters, but really seminal figures in the financial war and battle and coercion campaign against Iran that Jay chronicled so well, including its chief architect who now given his role as chief legal counsel for HSBC, is not often heard, but has made himself available to be a part of our discussion and to talk through the implications of the Iranian nuclear deal and the future of U.S.-Iranian relations. And so, we're honored to have you all here today. Honored to have these panelists.

And let me just start before introducing Stuart with just a couple of thoughts. This is a timely discussion, a great time for the book, Jay, because there is an ongoing debate here in the United States as well as internationally around the utility, the importance, the longevity, even the viability of the Iranian nuclear deal.

There is a fundamental question about what the future of relations with Iran looks like and whether or not the deal helps or hurts regional and global relationships and security. And we have this discussion in Washington at a time when we're envisioning a transition of power to a new president, perhaps a new party, we don't know yet, but certainly the question of Iran will be a centerpiece of the foreign policy and national security agenda for any new administration.

And so in this discussion and certainly in the book that Jay has written, we have the story and a discussion around the intelligence and spy battles that were underway to influence Iran, to bring them to the table, what Jay calls the rial -- the strategy, the financial campaign to bring pressure on the Iranian economy, to force them to make hard decisions around their nuclear program. And ultimately, the secret diplomacy that led to the nuclear deal that we've all now grappled with publicly. And so, this is a great time to have this discussion and there are -- there is no better panel than this panel to talk about the financial elements of that campaign and how seminal it was.

So with that, let me now turn to Stuart. Stuart Levey, known to many of you, a lot of friends in the audience, is really a seminal figure in -- not just this period of our relations with Iran, but also the development of Treasury and the tools used of financial coercion against America's enemies and rogue regimes and actors around the world.

Stuart as you know was the first ever undersecretary of the Treasury for Terrorism and Financial Intelligence. He led that office for eight years, Stuart? Seven -- seven years. But

importantly was -- in addition to Bob Gates, the most senior member of the Bush administration that was kept on by President Obama to continue to lead his efforts for the Treasury Department and in particular with respect to this campaign.

And so, Stuart has been a seminal figure, is now as I mentioned the chief legal officer and a group managing director for HSBC Holdings. I've been honored to work with Stuart in the past when he was at the Department of Justice, when we were at Treasury together and when I was at the White House. And now, I'm fortunate enough to work with him in an advisory capacity for HSBC as well. So, I'm honored to have Stuart here and I think we're all very lucky to hear from here.

So, Stuart, over to you.

LEVEY: Well, thank you, Juan, and really it is nice to be here. It's been a long time since I get to speak in public, since I don't get to -- I don't get to do that that much anymore. But let me just first start with Jay's book, which -- it really is a terrific story.

And, you know, as someone who is, as you say, one of the characters in the book, you know, you play a niche role. And you know you're playing a niche role, even when you're doing it. And you know there is a bigger story around it, but I found myself, you know, it really -- truly treating it as a page-turner. I was really excited to see what was going to happen next. And I knew what was going to happen next. So, I really think, you know, he tells -- he brings it all together, all these different strands of it.

They're all happening at the same time in a way that was -- that was really exciting to read. I have a few quibbles with some of the details, but I'll come -- I'll come back to those at the end, because -- but I -- let me talk a little bit about the -- what Jay calls the Rial War, the financial efforts that were made with respect to Iran.

And it's interesting because I know, you know, particularly when you come to FDD you know this is a -- this is a deal about which there's a huge amount of debate. Is it a good deal? Is it a bad deal, et cetera.

But there has never been a debate about the financial war. You see, back in 2005, there was a consensus -- there was a consensus at the time. It was not a debate. The consensus was you could not use financial pressure to bring Iran to the table and have them capitulate on a nuclear deal. That was -- everyone knew that. That was obvious. When Juan and I started it at Treasury in 2004, that was -- that was universally known, for two reasons. One, because the nuclear program was too important to Iran as Jay puts it in his book, to the Iranians, it was like the moon shot to the Americans. It was too much a part of national pride. But more importantly, sanctions don't work. Everyone knew that. Everyone told us that when we stood up this office at Treasury, all the experts told us. The people in the government told us, people around the administration told us.

This was a waste of time. What sanctions were good for they said were -- it was a good way for the United States to make a political statement to express its disapproval. And, you know, we've had a long history of unilateral sanctions. Programs that were unsuccessful. And they told

us that, you know, when you do impose sanctions, first of all, most countries don't go along with them. Secondly, they tend to hurt the population of the country -- the very people you're trying to help. People will cheat. The private sector will always try to evade the sanctions, especially when they view them as just a political statement by the United States.

And it's even worse than that because the countries that do go along with United States and impose the sanctions, their companies are harmed because they give up business opportunities and it's the countries that cheat that their companies, you know, benefit from sanctions.

So, what was the point? And actually even President Bush and this, I went back to check this this morning. He said in 2004 -- 2005, he said that -- well, there's no reason to think about sanctions in Iran because we're all sanctioned out.

And I think it was that comment that probably got Juan and I, kind of ...

ZARATE: Motivated.

LEVEY: Motivated that -- wait a minute, we haven't even tried yet. So, there was a consensus then and there is a consensus now. The consensus now is, it did work, you know? There's only -- the only debate about the financial pressure brought on Iran is this.

There is the debate between the people on the one hand who say it was a complete success. This is what yielded this deal. And then there's the people who disagree with that. And they say, "No, it wasn't a complete success. We should have kept doing sanctions because we had so much leverage. We could have extracted more concessions."

But everyone agrees that the financial war was successful. So, I'm not going to weigh in on that particular debate, given my current role, but that's the only debate that's left. So why did it work? It worked because it was designed and implemented differently.

First of all, we had an enormous amount of support, particularly from within the U.S. government. It was a -- you know, people like to say, whole of government effort, looking at Ambassador Negroponte, often a whole of government effort doesn't really amount to a whole of government effort, but this time it really did.

We had the whole of government behind this. And we looked at what had failed in the past and we thought about, you know, how to get the private sector on our side. We thought about how to start small. Get people onboard with it. Point to Iran's illicit activity.

There was a whole, you know, plan drawn up from the beginning that -- you know, we'd start small and keep -- and keep growing as the program developed. And in some ways we were lucky in the sense that Iran was an ideal target for this sort of campaign because on the one hand, it was dependent on the financial system. It wasn't completely isolated from the financial system. Iran was dependent on the financial system. They really were using the financial system for illicit activities. We didn't have to make it up.

We just have to find that -- we had to get the intelligence, frankly, declassify the intelligence and go out and share it. I still remember -- at Hank Paulson's first day at the Treasury, maybe not his first day -- the first meeting I had with him. We briefed him on Iran. And we showed him how the network had worked -- their procurement network for both their missile and their nuclear program.

And we showed, you know, how they were acquiring all these things using the legitimate financial system and he said, "OK. Well, what do you want to do with this?" And I said, "I just want to go tell everyone involved that they're involved."

He said, "Oh, great, because I thought you were going to go off and try to whack all these banks and bring down the whole financial system." I said, "No, no. We're just going to go and tell them what's going on." And he thought that was great because he said, "Look, they're going to want to cooperate, if they don't, you know, they're involved with this." And that was true.

And then we also knew that Iran would do the natural thing which was they would evade -- try to evade the sanctions, engage in the kind of deceptive conduct that people engage in when they evade sanctions, and that would help us find, you know, keep going and you could keep pointing out the deceptive conduct and Jay points out some of these -- some of these were almost comical. The IRISL, for example, the shipping line, which kept reflagging. Changing their names. Painting over the names of the ships. And it was just the kind of thing you go and you share the information and said, "Look, you know, you're dealing with these people. This is how they're -- this is how they're obscuring their true activities."

So, we had a target that was an ideal target and -- so that really helped. And in the end, it got all the way to the place where we were able to target, their oil revenues, their central bank, et cetera. And frankly, just the way we drew it up -- when we first drew it up in 2004, just took a long time to get there.

So, anyway, I think we were fortunate that it was an ideal target. There were a lot of questions about, you know, whether a similar campaign would work on other targets and, you know, it's probably beyond the scope of today's discussion, but I refer you to Juan's book if you want to get into the details of that.

ZARATE: Thank you.

LEVEY: So the only -- there are a couple of other things I want to say which is I was flattered when I read the book because Jay attributes a lot of this activity and the strategy to me. And that's always nice if, you know, you read the book and you think, "Oh, that's terrific." And I admit that made me feel good.

But ...

DUBOWITZ: Made your mom feel better.

LEVEY: Oh, it made my mom feel better. So she is going to buy 10 copies. But actually, this was a plan that was, you know, not only designed -- it was designed by many people, including Juan, of course, but got Christy Clark who is here, who was with us at the Treasury at the time, you know, Janice Gardner, you know, we had terrific intelligence analysts, Jill Jermano (ph) and policy people.

And we pulled this plan together. Ultimately, you know, briefed it to the president and the president was -- said, you know, let's go do it. We had tremendous support, you know, from above in the Treasury Department.

I joked about it to Secretary Paulson, but truthfully to have the Treasury Department, you know, to have the leaders of the Treasury Department not only be willing to engage in this sort of activity, but to lead it was remarkable.

At the time, Secretary Paulson and Bob Kimmitt who was the deputy secretary and that transferred on into the Obama administration as well, where the secretaries were very, very supportive.

Both Secretary Geithner and Secretary Lew, you know, supportive of Treasury playing this role which was not probably always the case. And that was -- that was hugely important.

But then I do think it's important because I suspect there'll be some debate about the deal to point out that there are other people who are currently at the Treasury, who -- and I'll specify two in particular, Adam Szubin and Danny Glaser who were not just instrumental in this. There is not one iota of pressure brought to bear on Iran, there is not one thing that happened that wasn't done in complete consultation with and -- with -- usually with intellectual creativity brought to bear by Adam in particular and by Danny.

And after reading Jay's book, I feel even more appreciation for what Adam in particular has done, because the difficulty that I now appreciate much more of trying to maintain the pressure during the course of the negotiations that Jay describes was, you know, a tremendous -- a tremendous effort on Adam's part.

So I'll -- I really did want to make that point. But then, you know, I said I was going to quarrel with something that Jay said, which is, he has this thing about me where he says that people joked about my recent bar mitzvah.

And I thought -- so, you know, that's why I brought my mother. She's in the front row. She will verify that my bar mitzvah was more than 40 years ago. But when I read that, I thought, OK, I was starting -- I was, I had like a little beard. I said, all right, the beard is gray. I'm going to have to keep the beard now to prove that, you know, it wasn't quite as recent as Jay said.

But, anyway, congratulations to you, Jay, on writing a tremendous book. And I hope everyone buys lots of copies.

(APPLAUSE)

ZARATE: Thank you, Stuart. Fantastic. All right. Just so everyone is aware, this is on the record. This is being live streamed, so that means you've got to be on your best behavior. What I'd like to do is have a discussion with the panelists and then open it up to you all.

So think about your questions. When we get to that moment, we'll worry about the ground rules, but we're going to talk for about 45 minutes and then turn it over to you for about 15 minutes of questions. OK?

All right. Let me -- let me introduce the panel. I think you know them all. I'll make this very quick because I prefer to get into to the substance. You know Stuart. Jay Solomon, you know from the Wall Street Journal.

He, obviously the author of this book, has done a remarkable reporting on financial warfare, campaigns writ large and on Iran and even after the publication of his book, his articles in particular about the cash transfers to Iran have continued to drive the debate in Washington and internationally around this deal and the relationship. So, we're really honored, obviously to have Jay here with us.

Steve Perles, as you know, Steve is, you know, one of the great things about the panel is everyone represents a different dimension of the campaign that Jay describes. And Steve, in many ways was both the financial but also legal warrior, engaged in what some like Orde Kittrie have called lawfare with respect to holding Iran accountable for support for terrorism. Led some of the key lawsuits for the private sector and continues to do incredibly important work with the Sovereign Immunities Act cases and jurisprudence that he leads.

And, of course, Mark Dubowitz. Needs no introduction in these halls. The executive director of FDD. Helps to -- helped found and runs the Center on Sanctions and Illicit Finance. And Mark, through his indefatigable work research and advocacy, really affected the debate on Iran from the outside and in particular helped Congress in shaping legislation.

And so, what you have, in addition to Jay, are three of the financial warriors that have affected the pressure on Iran in very important but different ways and through different means. And so, we're lucky to have them.

So, Jay, let me start with you. This is your book. This is the story you've told. One of the interesting things that you tell and you start the book by saying, look, this was a book that I started - - it was going to be about conflict and the march toward a potential conflict. And it turned into a very different story.

A lot of that had to do with the secrecy of diplomacy, which you lay out very well. But the financial campaign you talk about was very much out in the open, you know, Stuart was out traveling, making his briefings, not just to government officials, but to the private sector.

He was being followed very closely by the Iranians we know. And so there was -- there was an interesting dimension to this pressure campaign that was very public, open and notorious, while at the same time you had the secrecy of the diplomacy that you lay out.

But can you talk a little bit about, not only the story, how you thought about both the financial campaign and the overarching pressure that was being put on Iran.

SOLOMON: Yeah. I mean, it was interesting, as Stuart was saying, when I first started to kind of follow this -- it's probably like end of the Bush administration, there really was the perception that this wasn't going to go anywhere.

There was -- you can't take an oil economy off the global -- you can't take out an oil economy -- you know, no one overseas is really going to listen. It was kind of dismissed, but I just -- remember, you kept seeing Stuart showing up in Dubai or Turkey and it just -- it was starting to sort of gather momentum.

And it kind of created a narrative that I sort of jumped on. And early -- like 2006, 2007, it's kind of where is this headed because at first it didn't seem like it was going anywhere. And then it sort of started to cascade and what's been interesting too -- I think the *Wall Street Journal* for the first time ran the story in 2006, that the Central Bank of Iran might get targeted.

And this was described then as kind of the nuclear option, that it would never happen. And it was kind of flirting in the back of my mind as it was kind of building up. So I -- it was just a -- it was a great narrative as a journalist because you could see the financial pressure building up as the nuclear clock was kind of starting to pick up.

And Mark said it a few times. It was like, who was going to get there first. Were they -- was the financial pressure going to be too much before they got too advanced or not. And it was -- yes, it was a great journalistic narrative because you had things moving in a very rapid pace and you could see, like so much of the U.S. under both Bush and into Obama -- so much of U.S. foreign policy was dedicated to Iran.

Even before the negotiations started, the Obama administration was like, negotiations with China, Russia, India were seen, in a lot of ways early on through the lens of were they going to put pressure on Iran. Were the Saudis -- I mean, that was one part I found very interesting how, under Obama early on, the Saudis, the Kuwaitis trying to use them to jack up production to get the Chinese and the Indians to stop buying Iranian oil.

It was just -- it was such -- it was playing into so much of U.S. national security. Forget the wars that were actually happening in Iraq and Afghanistan, in which the Iranians were directly involved. So it was just -- it was in all-encompassing narrative that just played out through last six, seven years. And it was -- it was a lot of fun to cover.

ZARATE: Mark, you've watched this campaign and you've watched it through the lens of FDD and a lot of the research and advocacy, what's your sense as to how the financial campaign worked? And then can you talk a little bit about your own experience in working with Congress

with the passage of CISADA and other legislation that was -- turned out to be quite critical in the evolution of the financial constriction campaign.

DUBOWITZ: So, thanks, Juan. And really an honor to be on this stage with these guys. And has been an honor for me just to be part of this in my own small way. I mean, for me the greatest insight was, you know, coming from Canada, 13 years ago and showing up in the United States and realizing, wow, even a Canadian can actually make a contribution to this debate. And I finally became a U.S. citizen in November, so now, I'm a U.S. citizen.

ZARATE: Congratulations.

DUBOWITZ: Thank you. Just in time to vote.

ZARATE: Good luck with that.

DUBOWITZ: But for me what was fascinating was I knew fully well what Stuart and Treasury was doing and was just, you know, always a Treasury wannabe, but not being a U.S. citizen couldn't join the Treasury Department. At least I tell myself that, I'm sure Stuart would have hired me if I was a U.S. citizen.

But I noticed that there was really a role to play on the outside. And I met, you know, some fabulous congressional staffers, some of them are here -- Jodi Herman who worked for Senator Menendez and then Senator Cardin, Rich Goldberg who worked for Senator Kirk and Matt Zweig and Don McDonald and Vance Serchuk.

And they were these really smart staffers on the hill who were gaining an incredible expertise in the area of Iran and sanctions in particular. And I think what fascinated me was that the debate between I would say 2009 and 2013 was really a debate between Congress and the executive branch, but it was a debate between the 30-yard lines, right?

There was a fundamental agreement on the objective. There was -- there were disputes about the modalities and exactly the techniques that should be used. Should we go after the Central Bank? Should we go after oil exports? Is SWIFT a bridge too far? But there was fundamental agreement and there was a real opportunity to kind of shape that sanctions architecture from the outside.

So for me it was a privilege, not only to work with Stuart and the Treasury Department in providing the research and open source analysis that we did, but in particular to work with Congress and senators and the House members and particularly staffers who were really gaining considerable expertise.

And I think in some respects were pushing the administration to go further that some in the administration wanted to go. And I think they deserve an immense amount of credit, particularly on oil sanctions and SWIFT sanctions and some of the real hard-hitting IRGC sanctions that I think fundamentally changed the Iranian strategic calculus.

ZARATE: Steve, I'm paging through the book here. On 165, Jay lays out and begins to introduce you as a character in this and you're obviously not a new character to these issues, but he references an episode in early 2009, when you encountered Stuart.

And according to Jay's writing, Stuart had -- and the Treasury Department had notified with respect to certain Iranian funds. And that dovetailed then with litigation that you have been pursuing and attempting to drive for some time for victims of terror.

Can you talk about that episode and the significance in the context of -- not just your relationship with Stuart and the Treasury, but also the overarching pressure on Iran?

PERLES: You should see my copy of Jay's book, those five pages are really dog-eared.

ZARATE: I got them marked.

PERLES: Let me -- why don't I start by explaining a little bit about what I do and how that really wound up with my -- being married to my friend over here because in this case, the interest of the government of the United States and the interest of terror victims really became symbiotic.

We're in the business of bringing very large-scale litigation against foreign sovereigns and private actors under very different statutes to obtain reparations for the families who have had loved ones killed or injured in international acts of terror.

And the truth is there really isn't enough money in the world to compensate somebody if you've lost a loved one in one of these violent events. And our litigation is about deterrence. And that's best thought of in the Libyan context.

Muammar Gaddafi engaged in really two large-scale bombings targeting the United States. Lockerbie which Jim Kreindler litigated in New York and the La Belle discotheque bombing which I litigated here in Washington DC, and then a series of smaller attacks, no less tragedies for individual families, but smaller in their scope.

Those -- that series of events which took place in the 19 -- late 1980s ultimately cost the government of Libya or Muammar Gaddafi's personal cash reserves in Switzerland about \$3.5 billion. Had Muammar Gaddafi understood at the time he was downing Lockerbie and blowing up a discotheque in Berlin, filled with off duty U.S. servicemen that he was going to have to give up \$3.5 billion of his cash reserves, he likely would have found some less violent way of making mischief. And if we are able to in some way deter the Gaddafis of the world from engaging in acts of terrorism against U.S. citizens whoever they are, then we've done something successful.

That's our real goal. To do that, you don't have to win judgments. You have to go out and win judgments and then enforce them. And enforcing those judgments is about 80 percent of the work. And that brings me to the conversations that Stuart and I had.

Stuart was tasked with quite candidly, in the most simple terms, destroying Iran's nuclear program by economic sanction. And his people -- his Treasury Department had massive fences. Very tall fences that they can put around certain kinds of Iranian assets.

But that field that are surrounded by those massive fences, that's a relatively small playing field. The rules are different for me. I have these -- they're fences, but I have these little fences compared to him. But the playing field that I get to play on is much bigger.

And some smart guy in the -- might have been you -- some smart guy in the Treasury realized that there was intelligence data sitting there about assets that you and Stuart believed were outside his fences and inside of my fences.

And somebody smart over there realized that if you declassified that data and turned it over to us under very controlled conditions, meaning we could -- we had to keep it under seal. We could only use it for the purposes of enforcing these judgments, that we could actually help you as you were helping us.

And our relationship really became symbiotic. As a result of that conversation, the Supreme Court -- what's this now, seven, eight years later, but the Supreme Court last spring affirmed the lawfulness of the turnover order that we obtained.

And the families from the Beirut Marine barracks bombing and they're about 1,450 family members involved in that action and then 8 or 10 smaller follow-on actions, including the Khobar Towers action will receive distribution of that \$1.9 billion I would think within the next 10 days or two weeks. We are just about -- the trustee for those funds is just about done.

By the way, I need to point out one of my clients who's sitting in the front row over here, Colonel Larry Gerlach who was Commander of the Marine Forces that were attacked in Beirut in 1983.

ZARATE: Colonel, welcome. Thank you for being here. I appreciate it, great story.

Stuart, let me turn to you, then, Jay, I'm going to ask just to comment given your perspective. You saw two administrations trying to use these tools to constrict Iran's economy. From your perspective, what was the end game? Now, you and I had lots of discussions about this at the time. But, from your perspective, was the end game what we saw in the Iran nuclear negotiations or was it something else? What, in your mind, was this all marching toward?

LEVEY: Look, I mean, in some ways, it is the end game that occurred. I mean, the goal was never to see how much pressure we could just bring for the sake of bringing pressure. The goal was to force Iran to make the choice. And frankly, the goal was to say, "Look, you know, you're either going to make a choice to come to the table and negotiate the settlement of this dispute over your nuclear program or we're going to be able to continue to increase this pressure and ultimately, you know, bring an enormous amount of pain." And we kept trying to make their choices starker and starker.

That was true in both administrations, right? And that was the goal of what the Treasury Department was doing. You know, I'll leave to others to debate, you know, no matter what -- the goal was to get a deal, right? The goal was to negotiate a settlement. It was not to, you know, be -- I don't think it was ever to be, "Well, we tried everything we could before we went to war," you know?

It was more, "We want a peaceful settlement of this dispute. This is the best way to pursue it. This is the way to get -- to vindicate American interests," and we pursued it for that reason. The debate over whether this was the deal that was envisioned I think is a separate debate.

ZARATE: And, Jay, given your reporting and what you know about the diplomacy, how did the diplomats and in particular, how did the Iranians view this financial pressure and how are they viewing it in the context of what they were trying to achieve at the table?

SOLOMON: I mean, it's always interesting because the diplomats, particularly the Foreign Minister Zarif was always -- his line was, "Yeah, the sanctions were a problem, but they kind of -- they weren't what forced us to the table. We went from 5,000 to 20,000 centrifuges. They were, you know -- the sanctions were counterproductive."

But, I did a lot of reporting, not a lot in Iran, but certainly in Iran. The sense I got and I'm sure this will be debated, but I got the sense that when President Rouhani took power, his people, a lot of them had been kind of sent out to pasture and Ahmadinejad's time came in. They knew Iran was in some financial trouble. But, I think they -- Ahmadinejad's government had really cooked the books and these guys came in and saw a double whammy.

They saw total mismanagement of the economy to the point where one number I heard from an Iranian official was that there was something like \$800 billion of oil revenue during Ahmadinejad's time, something like that. They only had less than \$300 billion accounted for. So, they had this huge black hole in their financial system and the only way to get it back was from overseas, the money that was frozen. So, you saw this sprint from Rouhani's election in June, 2013 to the actual agreement.

I think part of what the debate will be was, you know, the really nasty sanctions were really only in place for a year basically before the pressure started to be relieved to some degree. And, you know, between having that much leverage, having oil prices then starting to collapse at that point, even after all this leverage and the fact that banks were terrified, I think in the book I was sometimes questioning the tactics during the diplomacy because the administration was kind of talking down the sanctions, saying, "They're not going to hold. We need a deal now."

Even now, after the deal, a lot of the sanctions are holding despite -- so, I think, the pressure was still there and I just -- I think the book was a bit critical, why did they start to reduce the pressure when human nature usually tells you it's only when you're facing starker choices that you're going to give up more. So, I think the Iranians definitely knew there was a problem.

And I think Rouhani -- I mean, Rouhani communicated to the Supreme Leader who was no economist that he was facing a national security crisis and that's why he played ball. I'm convinced of that.

ZARATE: That's an important observation and an important part of the book obviously where you do point out that the pressure continued and actually does continue and I want to get to that in a second, especially in light of Stuart's op-ed that he wrote recently.

But, Mark, can you comment a little bit about this and I know you've testified a good bit on these issues. I have as well. What's your sense about kind of the sequencing of the financial pressure in the deal? Did we give up too much kind of leverage early on and have we talked down the sanctions in a way that's not only unproductive in the context of the deal, but maybe moving forward in terms of Treasury's powers?

DUBOWITZ: So Juan, I'm going to break news today. But I'm actually a critic of the Iran deal and I try to keep that...

ZARATE: I was hoping you'd say that.

DUBOWITZ: I'm trying to keep it quiet. Look. I have been a critic of the Iran deal precisely because I think as Jay and I think as Stuart alluded to, I mean, there was a point where we were exerting significant pain and we had leverage and the sanctions were really starting to kick in. And I think Jay is exactly right.

I mean, the toughest sanctions were passed basically 2012 where you had oil sanctions, central bank sanctions, SWIFT sanctions, you know, the designation of the National Iranian Oil Company as IRGC and you started the Iranian economy begin to go into a tailspin. And it's at that point that the secret negotiations are going on in Oman and what do we discover?

We discover that in those secret negotiations or maybe even prior when Secretary Kerry, then Chair of Senate Foreign Relations Committee speaks to the Iranians through the Omani channel that the administration has given up the most valuable concession to Iran which is the retention of its enrichment capabilities...

ZARATE: Yeah.

DUBOWITZ: ...not at the end of the negotiations which is when you probably want to give up your most valuable concession, but they gave it up at the beginning of the negotiations.

So, they actually walked into the negotiations, gave up the most valuable concession at the outset and then, began not to accelerate the economic pressure, right, and really bring the Iranians to the verge of economic collapse where you would think then you could actually negotiate a real deal that really permanently cut off the pathways to a nuclear weapon instead of giving the Iranians a patient pathway to a nuclear weapon.

But instead of that, they fight Congress and they block new legislation from -- new bipartisan legislation from the Hill. And so, I have been a critic of the negotiating strategy because I think that there was a lack of synchronicity between what they were doing on the diplomatic track and the affect that the sanctions were having.

And I think they threw away the leverage, gave a lot of upfront concessions and the result is, in my view, again, it's my own personal view, I don't speak for FDD, is that it's a deeply flawed nuclear agreement because not only it did it allow Iran to retain that enrichment capability, but that capability gets to expand over time because of the sunset clauses where the restrictions just go away, not based on Iranian behavior, but just based on time.

ZARATE: And interestingly, just to add a little bit of a historical note, the fact that the price of oil began to drop significantly obviously hurt the Iranian economy, but it's also interesting the context of the history of the sanctions because early on in the debate around the use of these kinds of tools and especially around oil, there was concern about the spike in oil prices as a result of what may be taking banks or oil offline. And so, that's another factor that played out and perhaps wasn't as synchronized, as you describe.

Steve, let me ask you a question. None of this is rehearsed. So, this is a little bit off the top of the head. But, from you perspective, in advocating for victims of terror and victims of Iranian support for terrorism, is there a bit of an opportunity here to the extent that there's an opening with the Iranian economy? Do you see as a master of lawfare, this as a strategic opportunity as opposed to a moment of weakness or withdrawal?

PERLES: Yeah, master of lawfare sounds like a pretty lofty term.

ZARATE: Yeah.

PERLES: I'm not sure I'm quite there yet.

ZARATE: All right.

PERLES: That's why we call it the practice of law.

First, I'm a critic of the Iran nuclear deal. But, the critic comes from a layperson, not from the kind of expertise that the other people on the panel have, because they're really students of this. I'm just an international reparations lawyer. From the perspective of an international reparations lawyer, that deal could actually be beneficial, because as Iran enters the economy, for example, I hold about \$16 billion in judgments against Iran. That prevents -- the fact that there's a deal doesn't prevent me from attacking those targets. In fact, it encourages me from -- it encourages me to attack those targets.

So, I'm looking now, for example, at things like the Boeing deal and the Airbus deal because even in the Airbus deal, at least 10 percent of the component of every Airbus has to be made in the United States. So, we're, for example, studying whether or not those licenses will

provide us with opportunities to enforce judgments against both Boeing and Airbus and as other commercial activities would mature, we're going to be looking at every one of them.

As that process goes forward, and let's say we make the decision to go out and attack that -- the Boeing transaction or an Airbus transaction, or others, I would think that you start to have what I would hope we would have, what I would describe as the Gaddafi effect, that deterrence that helped get Muammar Gaddafi out of the world of terrorism, and maybe it will push the Iranians a little bit in our direction. Maybe we'll get some settlements.

And as the Iranians start seeing real cash going out the door to effectuate settlements, maybe they will rethink their use of terrorism, frankly, as what in their view I think is a legitimate use of force projection to achieve a foreign policy goal.

ZARATE: Jay, can you explain to everybody and sort of bring us up to speed on sort of where things stand now and in particular, to Steve's point, kind of what Iranian expectations are, because the Iranians have clearly and vociferously complained that they haven't seen the full benefits of the deal. And in the JCPOA, the nuclear deal, there is the promise of reintegration of the Iranian economy into the global system. So, they complain that they haven't seen the full benefits of that.

Can you sort of bring us up to speed as to what the Iranian thinking is on this and their grievances and how that's playing out diplomatically?

SOLOMON: Yeah. I mean, I think there's probably different views. You have seen President Rouhani, the Central Bank Governor, Foreign Minister Zarif saying, you know, that the U.S. has not done enough to help us get banking transactions, haven't done enough to bring us back into the economy. That's definitely out there.

You also have heard the Supreme Leader say similar comments, "You can't trust the Americans." But, my sense is that reading politics of Iran is that the Supreme Leader probably kind of likes what he has right now. He's not going to have a financial collapse like he was fearful of, but he's not having some huge flood of cash coming into his country or western money or companies that he would probably view as just as threatening to a system as a collapse.

So, my sense is that the leader probably has modulated it just about right. And I think that's why you see Iranian-American businessmen, European-Iranian nationals getting arrested. I think the IRGC and the Supreme Leader's office want to send across a shot across the bow that, you know, "Don't think you're going to come back in here and kind of change the system economically."

But, you know, their economy was contracting a few years ago. I think the World Bank numbers are 5 percent growth next year. So, it's still a pretty stark shift. And with this Boeing deal going through or at least getting it approved, the Airbus, it is happening to a degree, but I do think it's playing into the politics of Iran with Rouhani's people sort of facing reelection next year. They want to show that there's a huge amount of money and the hardliners saying, you know, "You didn't get what we wanted."

But I don't think Khamenei is going to pull the plug on this deal right now because he's not getting enough economic relief. That could happen down the road, but my sense is he's looking at the thing and saying, "It's working out not too badly."

ZARATE: Stuart, in light of that, we know that the U.S. government has sent out delegations to include Secretary Kerry meeting with European banking officials and others to explain what the sanctions unwinding looks like and what's permissible or not under U.S. law. In part in reaction to Iranian complaints that that's not clear enough the U.S. continues to restrain the behavior in particular of major global banks. I'm comfortable asking this because you've wrote an op-ed on this issue. You are now the Chief Legal Counsel for one of the major banks in the world, the British Bank, HSBC.

Can you explain sort of what you wrote in that op-ed and why you thought it was important to write something publicly, frankly, about what you saw as a problem with what Secretary Kerry was trying to do?

LEVEY: Well, what had happened was that Secretary Kerry had come to London and to meet with major European banks. And the undercurrent of it was to sort of respond to what these complaints were that there wasn't enough integration of Iran into the financial system and he was encouraging that.

And, you know, in my official capacity at HSBC, we wrote an op-ed saying, "Look, you know, situation is still the following: you have -- sanctions were lifted, but there was no -- you know, and lots of entities had sanctions lifted on them, but there was no statement that the entities that were sanctioned hadn't done the things that they were sanctioned for." So, we still have to look at the -- you know, the underlying facts, not just the fact that the sanctions have been lifted.

You still have the government of -- still have Iran designated as a jurisdiction of Primary Money Laundering Concern by the U.S. Treasury Department which is a very, very dramatic statement frankly by the U.S. Treasury Department, something which my bank has to take into account, and every other bank in the world has to take into account very seriously. You still have the IRGC sanction by both the U.S. and by the European Union and it's, frankly, would be illegal to do business with the IRGC.

And one thing we've learned during the course of the whole campaign is the IRGC tended to have their, you know -- tended to play in lots of different areas and they're more involved in parts of the economy than people thought. So, this struck us as, you know, a very difficult ask, that we would be asked to do business with, by the way, a State Sponsor of Terror as well struck us as odd. And so, we said that that was not going to be something that we were willing to do until the circumstances changed.

If I can just take the liberty to make one other comment which is -- you know, I'm always nervous when you start to name people from the podium. And I was thinking about when Mark was talking about, you know, the fact that we were making concessions at the same time, we were trying to keep pressure on, it was very difficult. And again, it highlights, I think the job that the

Treasury Department was doing at the time and I left out David Cohen who was the Undersecretary who followed me, I think he also did an excellent job of managing what was -- you know, it was much more difficult to keep pressure on.

And I think they did keep pressure on despite the concessions that were being made and despite the interim agreement because Iran was not being integrated into the financial system. So, David Cohen also should've been mentioned.

ZARATE: Yeah. David, now, the Deputy Director of the CIA.

LEVEY: Yes. His whole -- everything is classified about him.

ZARATE: Mark, let me go back to you. Stuart's point about the reticence of the private sector to get involved with what is still perceived to be risky jurisdictions is ever present, I think, you know, this is an episode, a lot of us had talked about this. You saw it in the North Korean context. You see it here where there is a divergence between the recognition of risk to the financial system and illicit financing, et cetera, versus the necessity of diplomacy, et cetera.

How do you see this moving forward, especially given the role of the IRGC, the Revolutionary Guard in the economy, given the desire for many companies to get into an open market or a market that's opening a bit more, but also an environment that remains risky for all the reasons that Stuart laid out? How do you see this playing out? And I know you continue to do writing. We've got a report out in the lobby...

DUBOWITZ: Right.

ZARATE: ...based on this. But, what's your thinking?

DUBOWITZ: Well, I think the first thing is -- I mean, I agree with Stuart that, you know, David and Adam, and Danny, and the team at Treasury did a great job of trying to keep the pressure on Iran even during the negotiations.

But, I mean, you know, the macroeconomic fundamentals don't lie, right, and I think Jay has alluded to this which is you had Iran in 2012-2013, four to six months away from a severe balance of payments crisis, right? Iran was on the verge of -- notional verge of collapse and had lost 6.5 percent of GDP, inflation unofficially was over 80 percent. The rial had crumbled about 70 percent. Iran had access maybe -- full access to about \$20 billion in foreign exchange reserves. That was Iran's kind of macroeconomic picture in 2012-2013, which was dire.

By 2014-2015, as a result of the interim agreement and now as a result of the JCPOA as Jay said, you've got the IMF predicting 4 percent to 5 percent growth. Inflation is actually down to single digit, 7 percent to 9 percent. The rial has stabilized and Iran has gotten access to, depending on your estimate, at least about \$100 billion in its foreign exchange reserves. Some of which is liquid and they can use. Some of which is encumbered by prior commitments, but still, I mean, their reserves have increased significantly.

So, from the macroeconomic perspective, I think Jay is exactly right. I mean, the Supreme Leader is exactly where he wants to be which he has saved Iran on from economic collapse and he may not want the rush of business, but Iran is in a much stronger position today. And how do we know that? Well, we know that because Iran is acting as if they are in a stronger position, right? They are on the march regionally.

They have increased their support for Assad and Hezbollah and they are not facing the kind of hard budgetary choices they had to make in 2012, right? They didn't stop funding Hezbollah and Assad, but they had to take money from somewhere and they took money from infrastructure and from economic development in order to fund their nefarious activities.

And so, when it comes to Revolutionary Guards, how do we know the Revolutionary Guards are doing better? Well, because the Iranian budget, it's the defense budget, the line item for their defense budget increased by about 90 percent as a result to the JCPOA and the Revolutionary Guards are going to get the lion's share of that budgetary line item. Now, that's just the formal budget.

Now, look at informally what the Revolutionary Guards owns and please read the report that my colleagues put out, because I think it gives you a real eye opening snapshot of what the Revolutionary Guards actually control within the strategic sectors of Iran's economy. And as Stuart said, I mean, their tentacles are everywhere. And so, if I'm a private sector actor today, whether I'm doing business in finance, energy, construction, in the industrial sector, transportation, if I'm Boeing and if I'm Airbus, I would be terrified about who my counterparty is because I think it is inevitable that your counterparty is IRGC.

Now, it's going to be a shell. It's going to be a clean shell, you know, or it's going to be some delisted IRGC entity, but there is no way the IRGC is giving up what effectively was a stranglehold on these strategic sectors of the economy and they're not going to do that quietly. And so, whatever internal battle is happening within the Iranian regime and I think there is an internal battle, the reality is that the chief beneficiary of this deal so far are the Rev Guards.

And so, going forward, I think if we're going to roll back Iran's malign activities outside of the nuclear realm, then I think we need to target the Revolutionary Guards using sanctions, going after missile development, going after terrorism, going after human rights abuses.

And my suggestion to the Clinton administration or the Trump administration, whoever it may be, would be I would come out of the gate with a tough set of Revolutionary Guard sanctions focused on their non-nuclear activities, in particular, designating the Revolutionary Guards as a terrorist organization which has never happened so far, and sending a message whether you agree with the deal or you disagree with the deal, whether you think they really are moderates and hardliners or only hardliners, everybody agrees the Revolutionary Guards are hardliners. Everybody agrees they're responsible for these malign activities in the region and everybody agrees, I hope, that since the JCPOA, we have not done enough to push back against the Revolutionary Guards and we've created an unfortunate dynamic.

The more aggressive they become, the more reticent we become, and I think that is a dynamic that the next administration will have to break and break early on in order to ensure that we undercut their influence.

ZARATE: Jay, as I alluded to earlier, you have done some great recent reporting on cash payments which caused quite a bit of stir, debate, some denials here and there. Yes. And so, can you talk to us about what you found in terms of the sort of behind the scenes what was happening and, you know, ultimately, how that plays out in the context of what's happening with Iran?

SOLOMON: Well, I mean, the thing about the cash payment was it was true. The administration announced sort of basically at the same time of the American prisoners leaving Iran, that they had reached this \$1.7 billion settlement, and I don't think I was alone of journalists saying how the timing of this is weird, you know, just giving that much money at the same time. And it was just a gradual sort of process of hearing things and finding things.

Yeah. We found out that this money was paid in cash over basically a couple week period from January 17th to February 4th, and the Iranians came to Europe and picked it up. I think what we learned is just how secret a lot of what this administration did with Iran from the negotiations to this agreement and that we keep finding, you know, different agreements or side deals, or whatever you want to call them, emerging. But I think what is the most -- that still hasn't been clarified and where I think the administration still is going to have a problem is they said all of this stuff was separate and none of it was related, you know? It was coincidence.

But, you know, there was a Senior State Department official meeting with a representative of Iran's Intelligence Bureau in Geneva signing off on the cash payment, the prisoner exchange, the delisting of some banks all the at the same time. And, you know, it looks like all of this was very much sequenced to the release of the Americans.

And it was interesting. I was reading the lawsuit that was filed this week by the *Washington Post* reporter against the Iranian government. I mean, his whole suit was, "I was taken as a hostage and the Revolutionary Guards were telling me, you know, 'You're not getting out until we get people in return and money.'" So, the narrative that this was a hostage from the Iranian view, even if the Americans never saw it that way, I think it's getting harder not to see that this was all sequenced and it was all interconnected and there's more information that keeps coming out that sort of backs this narrative.

ZARATE: Yeah. Sure, Stuart?

LEVEY: I won't comment on this on the facts, but I will comment that if there's something that's secret and Jay is looking for it, that he'll find it.

ZARATE: It's not a secret for him.

LEVEY: I was on the other side of a lot of phone calls with Jay where he had found something out, including a story that Steve told earlier where Jay already knew. So, I think -- I would bet on Jay.

ZARATE: And just a clarification on U.S. policy, part of my role when I was at the White House was hostage policy as well. We have a policy of no concessions. That's our government policy. And so, the question is not whether or not it was a ransom, whether or not it was something else, it's whether or not it's a concession in the context of a hostage exchange. That often gets lost in a debate. I just wanted to reference that.

ZARATE: We'll get to questions in a second.

DUBOWITZ: Well, just a quick comment, I mean, I don't know how many people read Jay's story on Bank Sepah, because what's interesting for me beside whether this is a ransom or not a ransom, is something that Stuart said earlier which is there's no evidence that these financial institutions didn't engage in the illicit conduct and there's no evidence that they're not continuing to engage in this illicit conduct.

So, for me, what was most striking about what Jay revealed was that the administration decided to delist what I think Stuart called in 2007 the lynchpin of Iran's missile procurement network, right? So, we have all these problems with the Iranians continuing to fire off missiles and develop a long-range missile program and potentially develop an ICBM maybe in cooperation with North Korea and maybe not.

I mean, here we have a situation where the administration decides to support the dropping of the U.N. designation of Bank Sepah which to me again is, undergirds the missile embargos which effectively you've done. You've gutted the missile embargo by delisting Bank Sepah and you've got no evidence that Sepah is still not engaged in this illicit conduct. There was no reason why this administration needed to do that short of offering concessions in exchange for the hostages.

ZARATE: Yeah.

LEVEY: One of the narratives was that the missile sanctions were not lifted. I don't know how that -- I never did understand what that meant with Bank Sepah not being sanctioned.

(UNKNOWN): Right.

SOLOMON: Because they were only sanctioned for missiles.

(UNKNOWN): Right.

ZARATE: So Stuart, let me just feed off of that. Are you concerned at all, especially given your role in Treasury and what you helped to build strategically in terms of the Office of Terrorism and Financial Intelligence that we've begun to hurt the credibility of these tools, that the tools look too overtly political or diplomatic?

LEVEY: Well, look, I mean, it's always going to be a tension, right? If you hypothesize that you're going to make a deal, you know, that you're going to get to the pressure imposed and you're going to make a deal, I mean, we have the same, you know -- you alluded to North Korea.

You always have this issue where you impose the sanction -- you get leverage from that and then the diplomats do what they should do which is they use the leverage and make a deal. And then, somehow, you've got to release the pressure. And I think this was -- you know, it's always going to be a major challenge. You know, I think it's better to admit it upfront that, you know, this is going to be one of the tensions that will develop that you're going to have because to the extent these tools will be effective, you'll get to that place again. You'll get to the place of, you know, wanting to lift it.

Now, ideally, you do it when the conduct changes. And, you know, if you really did have sanctions that were targeted just at the nuclear program, for example, but not at the missile and not at the other things, then maybe you could, you know, parse it that way, but that tends not to be the way deals get made. And so, there is that tension that we will face in future campaigns as well.

ZARATE: We have just a couple of minutes before we open it up to the audience. So, get ready with your questions.

Steve, let me ask you quickly. To this point about the tension, do you see tension between your role and what you try to do with litigation and American diplomacy? You see this debate playing out in the context of the Saudi bill as well? Is there -- are you working at odds, at cross purposes with the government at times?

PERLES: You know, I testified about a year ago before the House Financial Services Committee and a member of the committee tried to ask me that question frankly from a partisan perspective. And all I would answer is that my relationship with the executive, more particularly, the Department of State is enormously complex and that's the polite way of putting it.

On one hand, if you're talking about the Executive where I always want to be is the kind of relationship I had with Stuart. I'll tell you well -- when that project was going forward, my designated point of contact was the General Counsel of OFAC. And he gave a phone number and I would call that phone number. It was never answered and I got a phone call back within 10 or 12 minutes, 100 percent of the time.

ZARATE: OFAC being the Office of Foreign Assets Control at Treasury.

PERLES: That's a great relationship to have with one of the departments of the executive branch. On the other hand, there are other elements of the executive branch to which I am virtually chronically adverse. And I mean, there's no secret here. That's the legal adviser's office at the Department of State.

I think one of the -- you know, I've been doing this a long time and one of the big disappointments that I've had is I haven't found more willing actors in the executive branch who want to undertake the kind of relationship that Stuart's Treasury Department and I had. I mean,

they understood that what we were doing was just another arrow in the quiver of the financial war they were trying to fight. But if you go over to their sister agency, you go over to the Department of State, they don't have that sort of enlightened view.

ZARATE: Jay, let me close out with you before we open it up to the audience. Where do you see all this headed? Because, you wrote a fairly critical analytic piece in the Wall Street Journal as the book was published. You end the book on a cautionary note as to where tension lies, where the nuclear arms race may be headed, whether or not the deal, you know, brings peace or actually increases the opportunities for conflict. Where do you see things going?

SOLOMON: I mean, I think the White House has never really said it explicitly, but I think it is a huge political bet. I mean, you kind of hear murmurings that, you know, Khamenei not going to be around forever and if he's gone in four or five years, this young population will kind of, you know, have a bigger role in Iran.

And even if in 10 or 15 years they have this infrastructure, you know, we're not going to be that worried about it because they're going to be a much more moderate kind of stable actor. I think that's a big bet. I think -- as I was saying earlier, I think in the near term, it's kind of in both sides' interest to, you know, keep the deal going. I think even Trump has kind of moderated his -- from "I'm going to tear it up" to "Maybe we'll renegotiate it."

But, I guess, my -- the positive side is there is this change and there isn't as much fear in 10 years. I think the negative side and I was just rereading some of the stuff on North Korea when we had this agreement with the North Koreans in '94, it was a similar type of agreement, basically, economic aid to cap the program. And even then, like really early on you heard murmurings that Congress was probably never going to build nuclear reactors in North Korea.

And the North Koreans were cheating probably pretty quickly and though the agreement stayed for almost a decade, you could hear very early on similar to things what you're hearing now, the Congressional people saying, you know, the Iranians are cheating. They're doing their missiles. And the Iranians are saying, you know, "We're not getting what we wanted."

So, without -- it's such a transactional arrangement and I think this cash payment of the \$1.7 billion, too, it's such -- there is no real change yet in the relationship. So, I think because of that, as with the North Korea thing, it's always going to be very fragile and if the politics here shift or there's more tests and a new administration wants to enforce the sanctions they have, it could be very unstable.

ZARATE: All right. Let's go to Q&A. Yes, lots of interest.

I'll ask two things or three things -- wait for the mic, do we have mics? Wait for the mic, identify yourself, and ask a quick sharp question, OK? So, this lady back here looks like press representative.

QUESTION: Hi. Thanks for the excellent panel, Rachel Oswald, Congressional Quarterly. The Iran Sanctions Act is going to expire at the end of the year and there's mounting concern that

Congress, because of its jam-packed lame-duck schedule may not get around to renewing it despite pretty strong bipartisan agreement that it should be renewed.

My question is what happens if it's not renewed? The Obama administration has said it has the executive authority to snap back the Iran Sanctions Act sanctions if there is Iranian violation of the nuclear deal. But I understand it's a little bit more complicated than that. I mean, can you talk a little bit about, Stuart Levey, the statutory framework and the difference of having that – of having that versus having an executive order re-imposing the ISA sanctions.

LEVEY: I only give my legal advice to one client. Mark, can we turn this to you and then, Stuart, if you want to weigh in.

DUBOWITZ: OK.

ZARATE: And so, Mark, do you want to take this?

DUBOWITZ: Yeah. Look. I mean, the executive branch always says whenever you have discussions with folks in the executive branch about sanctions, they always tell you, "Look. We have executive authority under IEPA. We can do anything. We don't need Congress. Why do we even need this legislation?"

And I think we heard that debate all through the Iran sanctions saga. And I think that debate I think vindicated Congress. I mean, Congress put in place critical legislation, tough sanctions. I think the administration then turned around and did a good job of enforcing that.

And so, when it comes to the Iran Sanctions Act, it is -- it provides the statutory framework for some critical sanctions. If those sanctions go away, then the administration is -- the next administration is in a very awkward position because it then has to use executive order to re-impose them. It also loses what I think is always important for administrations which is it can "good cop, bad cop" both the Iranians and our allies by saying "Look. Come up with a solution or Congress is going to force us to impose these Congressional sanctions."

Well, the Congressional sanctions are gone. The executive branch can't play that "good cop, bad cop" game anymore because then the only cop that's left is the executive branch. So, I think it's critical for effective diplomacy. I think it's critical for using the right kind of targeted pressure when it comes to dealing with our European allies. And I think it would be -- it really would punch a hole in the remaining sanctions architecture which I think is slowly crumbling if ISA wasn't reauthorized.

So, I hope Congress gets its act together and gets this reauthorized.

ZARATE: Another question. Let's go with this young lady over there, please.

QUESTION: Thank you, Yeganeh Torbati with Reuters. This question is for Stuart. Given the growing recognition and consensus that sanctions have been very effective, there's also some concern about the potential for overuse and I'm particularly curious where you stand on this given

your now years of experience in the private sector, have your views on where the use of sanctions, where that should be calibrated. Has it changed since when you were at Treasury?

Thank you.

LEVEY: Thank you. I think that that's a good point. You do need to be modest in where you use these sorts of tools. I do think that there, you know, on the one hand, there was this consensus that they could never work. And then, frankly, with Iran and North Korea, we saw that these tools have tremendous power when used in a certain way.

But, part of where the power comes from is that the rest of the world understands that this is something that the United States finds very important from a policy perspective. It's not like, you know -- let's be honest. It's not that I'm an inherently persuasive person and I was able to persuade people to do this. I had the power of the United States government behind me and my team, when you go around the world and you say "This is really important to us."

You can do that on one or two things at a time. You can't do that on five or six things at a time and it was really important. And actually, you know, Jay made this point earlier, the fact that the diplomacy at the time was Iran-centered -- you know, the diplomacy with India, the diplomacy with China, the diplomacy with Russia was Iran-centered. Then, when someone from the Treasury Department shows up and meets with the Central Bank or meets with a bank, they go, "Yes. That's exactly what the President just said. He was just here. That's what the Secretary of State said."

If you don't have that kind of coordination, then, it's not going to work. And so, the answer is, you know, these are tools that can be used if -- they'll start to be ineffective again and get a bad reputation again if administrations use them, "Oh, you know, we have 10 problems. Let's impose 10 different sanctions programs," and think that they're going to solve them. In order to make them really work, it takes the political effort to get it done.

ZARATE: Question -- right here, please.

Yes.

QUESTION: Jenna Lifhiths from the Weekly Standard. Stuart, I had a question for you. I'm wondering what you think of the Obama administration's decision to support the January lifting of U.N. sanctions on Bank Sepah and what effect do you think that that decision will have on the international ballistic missile embargo -- ballistic missile embargo?

LEVEY: I don't have a particular view on, you know, any particular action that the administration takes. The only thing I can comment on is what the private sector needs to do in the face of these changes in the sanctions laws.

So, of course, we need to abide by them. But, we operate under a system where our regulators expect us to look at our counterparties, understand who they are, what kind of risks there are in dealing with them. And so, while governments can lift sanctions, that doesn't change the obligation of the private sector to look at, you know, well, is this counterparty one that -- you know,

what are the risks of dealing with this counterparty, what are the risks that either I'm going to violate some regulatory rule by engaging in a transaction or, you know, some other problem.

And so, it may be that, you know, this will be a portion of what you've seen more broadly which is the sanctions get lifted. The major international financial institutions will still resist doing business until the underlying facts change. I mean, you're dealing with a situation, of course, and this is, you know, the point actually I made in my op-ed. But, you know, when you're trying to persuade foreign financial institutions to do business, you're operating under a background where American financial institutions are still forbidden. It's against the law.

So, it is -- you know, and that's something which every European bank and Asian bank is very, very well aware of.

ZARATE: Yes, sir, right here.

QUESTION: Thanks. My name is David Jackson. I'm a former journalist who used to cover Iran. In all the coverage of the payments that the Obama administration gave to Iran, to return the money that was, you know, paid 30 years ago, I never saw any explanation of why the United States paid over \$1 billion in interest to a fundamentalist Muslim country whose religion doesn't believe in usury.

SOLOMON: Well, yeah.

QUESTION: Did we just do that of our own generosity or did the government of Iran ask for it which would itself have been a story?

SOLOMON: Well, according -- this is a long -- this \$400 million does go back to '79 and there had been debates. I've talked to some officials who said "Well, when the money went into the Pentagon trust fund, there was no interest. There was not an interest-bearing account." So, there is that issue like why was the interest accrued.

But there was an ongoing litigation in the Hague and U.S. officials said they knew -- were pretty sure they were going to lose and that the Iranians were asking as much as \$10 billion. So, they must have been factoring the interest. And the administration line is -- we thought we were going to lose and paying \$1.7 billion was a bargain. That's the position.

The Iranians must have been asking for interest. So, I never thought of it in that way and there is still a lot of debate over how that exact number was calculated and whether they really were going to lose. But that is the U.S. position, that, they were in an arbitration. They settled out of court. They believed the U.S. was going to lose and that this was actually a bargain for taxpayers.

DUBOWITZ: And there's also a fatwa against development of nuclear weapons. So, end of story.

ZARATE: We got five minutes to closing. So, this is what I'm going to ask. I'm going to ask three other questions. We're going to take them in sequence and then, we're going to take them up here together. So, we can maximize what we get.

This gentleman here, this young lady here, and that gentleman back behind the pillar.

QUESTION: My name is Pete Baumbusch. I'm a recovering lawyer. And there's a narrative that I've heard about the negotiations which was that it's a three-way negotiation, but I'm talking about the nuclear negotiations between Iran, the United States, and all of our allies which Stuart seems to have indicated were important -- India, China, Russia, others who were on board in some respects and maybe in large respects with some of the sanctions and helping to stop the flow of oil.

So, the narrative was, well, we can only achieve so much because we can only keep our allies on board so far down the trail. I'd love people's comments about that narrative.

ZARATE: Right, this young lady here.

QUESTION: Mariam Memarsadeghi from E-Civic-Ed, a civil society initiative for Iran called Tavaana and my question is about that aspect to all of the civil society human rights community. One of the indications that the Iranian government really wanted the sanctions lifted was how hard it worked to mobilize the civil society community that had just been decimated from the 2009 Green Movement to support this Iran deal.

And I just wanted you to talk about any of you if you can how much you think the next administration can do to use sanctions and other measures, legal measures to support democracy and human rights in Iran because really, it's only if the nature of the regime changes to a democratic one where we can all feel more secure. Thanks.

ZARATE: Great, and then, final question.

QUESTION: My name is Michael Geffroy. I work in the United States Senate. One of the big selling points on the negotiations was that the sanctions could snap back if there was any violation of the agreement. And I'm curious to know from anyone on the panel the viability of the snapback.

ZARATE: Jay, can you take the multiparty, the question that we started with?

SOLOMON: That's been one of the tension points in this whole diplomacy. I know Secretary Kerry and a lot of the negotiators, the line was the sanctions won't hold because our diplomatic allies will only be -- kind of they're only invested in this for so long.

I think there is truth to that. But I think what it downplayed at least from what I've seen, covering it both as a diplomatic story and a business story, was just how much these billions of dollars of fines that were meted out by whether it was the U.S. government or the New York offices of -- yeah, I mean, there was -- the billions and like billions of dollars that were meted out.

And that's where I think the sanctions were so effective is that a lot of these countries or companies, they weren't doing the U.S. a favor. They were terrified of losing access to the U.S. dollar and they were terrified of these types of fines and I think that more than anything was why there was cooperation. And I think that's why you still see so many companies reticent to go back in there because that fear is still there.

So, I personally think it was economic and financial self-interest more than kind of good Samaritans or diplomatic reasons that the sanctions were so effective.

ZARATE: The human rights question -- Mark, do you want to take that one on?

DUBOWITZ: Yeah. I'm glad you asked that question. I mean, I would say this, what can the next administration do? Well, they can certainly do what the current administration hasn't done. I mean, there've been no human rights sanctions since the JCPOA has been reached. There've been only two persons and one entity designated for human rights abuses since Rouhani came into office.

So, you've seen a complete unwillingness on the part of the Obama administration to use sanctions to target human rights abuses or corruption and kleptocracy which I think is another fertile area. So, we have all of this executive authority through executive orders. We have all of this Congressional legislation that targeted human rights and yet, it's not being implemented.

And so, again, my recommendation to the next administration is use those authorities because clearly, human rights abuses have not gotten better. They've gotten worse and it's time to send a message to the regime that if you -- if you're going to get all these economic benefits and we're going to open you up to the global economy, then, you've got to stop, you know, murdering and torturing your own people.

SOLOMON: Yeah. One thing I'd follow up on the human rights issue, I know in the North Korea context, we've been sanctioning them for years, but it's only been in the last kind of two years were people talked about indicting the North Korean regime for, you know, human rights abuse. That really seems to have lit -- I mean, they seem more concerned in some ways about that than they have on just the pure sanctions on proliferation.

So, it does -- in the North Korean context, the shift where you have the U.N. even talking about, you know, war crimes or humanitarian abuses committed by the regime in North Korea, it seems to have kind of -- clearly it hasn't changed their behavior yet, but it seems to have woken them up in a way that some of these other sanctions haven't.

ZARATE: Stuart, do you want to take the snapback question?

LEVEY: Yeah. I guess, you know, my view of that is first of all, it's very cleverly named and whoever did that deserves a lot of credit. But, the question would be and similar to the answer I gave to the prior question, it's less important or something that's more important than whether you

put the sanctions formally back on is whether they're going to be given the same muscle and that would be the real question.

And I think to get the same sort of pressure re-imposed would be an enormous undertaking - an enormous undertaking and it would take -- I don't think it will be -- I don't think it could be done without a very clear provocation that, you know, I think it would be very, very difficult to get that sort of pressure re-imposed.

ZARATE: Mark, do you want to...

DUBOWITZ: Yes. Just real quick, and I just came back from meetings in Europe with senior European officials who have been heavily involved for years on these issues and their response to that question was, "I'm sorry. The Iran nuclear crisis is over. I mean, it's over. And now, we want to get back to business. So, what do you mean snap back sanctions or new sanctions or, you know, Dubowitz -- go find another line of work because we're done. It's over."

And I think that Stuart underscored exactly the problem. It's going to take a provocation -- I would argue, a massive provocation to try and reenergize and galvanize the Europeans to join us in these sanctions again. And I don't foresee that because the Iranians have absolutely no incentive to cheat. They have a patient pathway and they just have to be patient.

ZARATE: Well, we've reached the end of our time, unfortunately. I think we can go for another two hours if we were allowed the time.

Thank you again for coming to FDD, the Center on Sanctions and Illicit Finance. We strive to study these issues, the use of financial power and national security and we are honored to have this panel.

And, Jay, thank you for coming. The Iran Wars, you can buy it here or online; Stuart, thank you for making time to come, and, Steve, Mark, thank you.

Join me in thanking the panel.

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