

## U.S. Government Sanctions Priorities and Approach in 2020

*Featuring Deputy Assistant Secretary of State David Peyman and FDD's Eric Lorber*

DERSHOWITZ: Good afternoon and welcome to the Foundation for Defense of Democracies. My name is Toby Dershowitz and I am FDD's senior vice president for government relations and strategy. As many of you know, FDD is a nonpartisan policy institute focusing on national security issues. We are a source for research, analysis, and policy options for Congress, for the administration, and for the media and certainly for the wider national security community. We take no foreign government or foreign corporate funding and never will. To learn more about FDD, please visit [fdd.org](http://fdd.org). I want to welcome the online live stream audience and also those watching on CSPAN today. We invite everyone to join in on the conversation which we'll be live tweeting at @FDD. Today's event is hosted by FDD's Center on Economic and Financial Power. CEFP provides actionable recommendations to policy makers on how the US can leverage its economic and financial power to achieve its national security objectives.

In a moment we'll hear from our featured speaker, David Peyman, Deputy Assistant Secretary of State for Counter Threat Finance and Sanctions. Mr. Peyman oversees 25 sanctions programs at the Department of State. He works very closely with our Department of Treasury to implement current and new sanctions. He also interacts with governments around the globe and with the private sector to ensure effective and strategic implementation of our sanctions. FDD really appreciates the tireless work you and your team undertake. After his remarks, DAS Peyman and my colleague Eric Lorber will have a conversation about the threat environment and the administration's approach to addressing the myriad of challenges we face in this area. Eric is the senior director of FDD's Center on Economic and Financial Power. He previously served as senior advisor to the Under Secretary for Terrorism and Financial Intelligence at the US Department of Treasury. Please join me in warmly welcoming Deputy Assistant Secretary of State David Peyman.

PEYMAN: Toby, thank you very much for the nice introduction. Good afternoon. Let me start by thanking FDD for having me here this afternoon. I believe you were founded shortly after 9/11 to help protect our country from all threats and I believe you've done a fantastic job in empowering policy makers with thoughtful analysis and investigative reporting that really has helped keep our country safe and make our country safer. I think what distinguishes FDD, is that you publish not only insightful and thoughtful analysis, but your products are operational and they're actionable and I can assure you that they're read throughout our government and we look forward to reading more. I'd like to touch upon three topics today. First, the role of my division, threat finance, sanctions, and sanctions policy and implementation. Second, I'd like to discuss our sanctions approach with respect to Iran. And third, I'd like to discuss our enforcement posture more generally and make an announcement with respect to the maritime industry. The

maritime industry is the key artery for sanctions evasion globally for multiple policy areas, including our sanctions against North Korea, our sanctions against Venezuela, and our sanctions against Iran and Syria as well.

My division consists of two offices. Toby mentioned one. The Office of Sanctions Policy Implementation manages programs ranging from Venezuela, North Korea, Iran, Russia, Syria, global Magnitsky, Nicaragua, and other sanctions. My Office of Threat Finance Countermeasures deals with illicit financing through the use of conflict minerals and conflict diamonds. So we are the government representative to the Kimberly Process. We're also the State Department representative to FATF where we work very closely with our Treasury colleagues to implement anti-money laundering standards within the FATF. One of our key roles is to help design the architecture, the framework for our respective sanctions regimes. And we do so by working very, very closely with our special representatives. Special Representative Hook on Iran, Special Representative Abrams on Venezuela, Deputy Biegun, and Deputy Special Representative Wong on North Korea. As well as obviously a close partnership, a day to day partnership with our Treasury colleagues as well.

So we were instrumental in helping draft the recent Syria executive order 13894, which allows us to designate bad actors who are contributing to the worsening situation in Syria. But it allows us to do more. It allows us to designate family members of bad actors. We recognize that this regime, along with other dictatorial regimes, are looting the wealth of their own people and they're using that wealth to not only enrich themselves, but enrich their families and we intend to hold them accountable. We also play an honest broker role. We don't want to see sanctions in one policy area undermine the national security priorities and the policies of our president and our secretary in another policy area. So for example, when we decided to sanction Venezuela's oil sector and Pedvesa, we worked closely with our energy colleagues to ensure that Venezuela oil sanctions will not cause instability in price or supply of oil.

If it does, obviously it has economic consequences for us here at home and it has consequences with respect to other sanctions policies including Iran. We conducted that analysis and we determined it would not have a negative impact and I think time has proven that to be true. One thing that we've done that is, I think, quite historic at the State Department in the last year, is that we created an economic sanctions targeting team within my bureau to focus on designating those that violate sanctions and sanctions authorities granted to the Secretary of State. So, this team undertook to sanction COSCO, which is the largest ship owner in the world, a major Chinese state owned enterprise that was violating our sanctions against Iran. And I think the very, very clear message that this designation sent was that we are focused on strategic sanctions, sanctions that have an impact beyond the designated target itself, that have an impact across industries and across sectors.

And the clear message that I think we're trying to send, that Secretary Pompeo was trying to send is that no company is too big to fail when it comes to protecting US national security. No company is too safe when it comes to protecting our Homeland and the American people. And so, we undertook that designation notwithstanding the fact that it was a considerable increase in shipping costs globally, not only with respect to China, to send that very, very clear message. One of the most important things we do at the State Department is to use actionable intelligence, downgraded intelligence to engage with foreign actors to determine if there's an opportunity for them to change behavior before we have to resort to enforcement actions. And if they do change behavior, that's a fantastic result. Oftentimes that comes quicker and more efficiently than undertaking a designation. We also take a multilateral approach to sanctions enforcement.

So for example, we engage quite considerably with countries and private sectors around the world to ensure that they not only comply with, but proactively implement US sanctions. Panama signed a presidential decree last year that allows it to withdraw its flag from any ship, within 24 hours, that violates sanctions or is used to facilitate terrorism and terrorist financing without the right of appeal to the ship owner. Before, ship owners would have 30 to 60 days to appeal a decision to de-flag. That decision will now come immediately and it will not be appealable. We've also worked with flag registries across the world to help them share information. So, one key success was the implementation of the RISC. RISC is the Registry Information Sharing Compact, an agreement that was initially signed by Panama, the Marshall Islands, and Liberia among the three largest flag registries in the world to help them share information about bad actors. So if Panama or Liberia decided to de-flag a ship for violating sanctions, they will tell the other parties in the RISC about that de-flagging action to ensure that bad actor doesn't flag hop. I can announce today that St. Kitts and Nevis, Comoros, Honduras, Palau have all signed onto the RISC and other countries are currently in negotiations to sign on to the RISC as well.

Let me move on with respect to our approach toward Iran and our sanctions regime toward Iran. Our objectives I think have been quite clearly laid out by Secretary Pompeo and Special Representative Hook, and they are, number one, to deprive the regime of funding used to engage in its host of malign activities all over the world. From developing ballistic missiles to engaging in proxy wars in Syria, to supporting and sponsoring Houthi rebels in Yemen that fire missiles into Saudi population centers, to its sponsorship of terrorist organizations from Hezbollah on down. Second, our sanctions are designed to incentivize the regime to come to the negotiating table and to address the 12 points laid out very clearly by Secretary Pompeo, which really go toward five key objectives. Number one, stop your sponsorship of terrorism. Number two, stop your proxy wars in the region. Number three, give a full accounting of your nuclear program with inspection of all sites.

Number four, stop your development of ballistic missiles, and number five, release all hostages, including of course US hostages. What we're really asking Iran to do is to come to the

table and act like any other normal country in the world. And how have we gotten to achieving our objectives? Well, Iran has said they are no longer funding certain Shia militias in Iraq. Hezbollah, for the first time, is making public desperate pleas for donations to fund its activities. Let's look at the numbers. Oil revenues are down by 80%. We've taken 2 million barrels a day of oil off the market from Iran. That has amounted to \$50 billion per year that is not going to the Iranian regime to fund its malign activities abroad and commit human rights abuses at home. The regime is running out of options to store oil that we have sanctioned and they are now cutting some production.

We will target and designate anybody that stores Iranian oil, petrochemicals, or refined petroleum in violation of US sanctions no matter where they are. And we will soon be announcing a sanctions advisory on exactly that topic, on the risk private sector companies face and others face in storing Iranian oil in violation of US sanctions. We have been quite successful in our campaign to take Iranian oil off the market and that has led to Iran resorting to petrochemicals and refined petroleum products as a major source of revenue. And we have now also adjusted our enforcement posture to attack those two sectors as well as the metal sector and the construction sector and other sectors that are sanctioned as well. The regime does not have any good options to fund an even modest budget. According to the IMF, it is estimated that Iran's economy contracted by 9.5% in 2019. However, that number is based on oil exports of approximately 600,000 barrels per day.

We know Iranian exports are less than that. Some analysts indicate the contraction is actually closer to 12 to 14%. 10% is a depression. Inflation is in double digits, it has been hovering around 40%. Unemployment is in double digits. 17 out of 18 Iranian pension funds are bankrupt. They are in the red. That has resorted Iran to issuing a false budget. Oil exports typically comprise 30% of Iran's revenues and our sanctions are bringing this number close to zero. The regime itself says it exports about 300,000 barrels per day. So just curious why the regime put out a budget, a draft budget, that assumes exports of 1 million barrels per day of oil. Shortly after they released this fake budget, the rial tanked. Iran cannot be trusted to run its own economy. This regime cannot be trusted to run its own economy. Iran has a few options to respond.

It could cut subsidies, and we saw that when it was forced to raise gas prices. That led to mass protests against the Iranian regime. For the first time we heard chants of "Death to the dictator, death to Khamenei." Or, it could sensibly tax its wealthy elite, regime cronies, or IRGC affiliated companies, which it is not deciding to do. Instead, it is shifting the burden to the middle sector. Iran has a dark economy. It has multibillion dollar so-called charities and foundations run by Khamenei and his cronies that are untaxed and whose wealth does not reach the Iranian people. 99 of 100 of Iran's, purportedly private companies have an affiliation to the regime or to the IRGC. Failing state companies are continuing to be subsidized and protected from taxes, further draining Iran's coffers. So Iran has a choice to make. If the regime continues to divert

money to ballistic missiles, terrorist sponsorship, proxy wars in the region, it could do so. But it will have to start printing money, which will force its economy to completely collapse; or it could delay spending on salaries, benefits, and economic development, but it cannot do both.

This is why we hear today in the streets of Tehran and across Iran, “Death to Khamenei.” The Iranian people know that the regime must swallow the bitter medicine of sanctions in order to finally change behavior. They know that corrupt officials that are mismanaging the economy are responsible for their plight.

All of these results have happened since the re-imposition of sanctions in November, 2018, the full re-imposition. But actually I would argue it's been less than a year since the secretary decided not to issue SRE waivers for several countries that were continuing to import Iranian oil. That stopped in May of last year. And so it's been less than a year that we've seen all of these results. We've also made clear that we stand with the Iranian people and we leave open a humanitarian channel for the export of food and medicine into Iran, while cautioning that in 2017 and '18 the Treasury Department designated so-called humanitarian companies in Iran and Libya and – sorry Lebanon – for funneling millions to the IRGC. We've created a Swiss mechanism to help facilitate more humanitarian exports to Iran while implementing enhanced due diligence to ensure the IRGC is not co-opting the export of humanitarian aid to the Iranian people.

The US maintains broad exceptions to facilitate the flow of food and medicine into Iran and this Swiss mechanism is one option. Special Representative Hook and our department have recently made public statements that we're willing to help the Iranian people fight the coronavirus disease and that offer has unfortunately not been accepted by the regime. Let me move on to the third topic, our sanctions enforcement posture more broadly. I'd like to announce today that we'll soon be issuing a global maritime sanctions advisory. The shipping sector, the maritime sector writ large from flagging registries to insurance companies to ship owners to port operators. To terminal operators, to managers and charter companies have more work to do to ensure their vessels are not financing and contributing to terrorism or violating sanctions writ large. UN sanctions, US sanctions and EU sanctions as well. In this global maritime advisory, we are going to focus on the use of AIS. AIS transponders that provide the location of vessels should never be turned off. If they are, that presents a risk that requires heightened due diligence.

Flag registries should be asking for AIS from those that seek to register their vessels with flagging countries. They should see the history of the AIS and if the AIS has been turned off or manipulated, that may be a reason to deny services. Same for insurance companies and financial institutions. There are certain obvious high risk jurisdictions where vessels engage in ship to ship transactions in order to evade US sanctions. These include the Persian Gulf, the UAE, Iraq, Malaysia, Hong Kong, off the coast of China. False bills of lading are used to disguise the original source of cargoes. I encourage anybody in the private sector who is suspecting a false document to contact the US government. Contact my division, contact OFAC to determine if

there's some guidance we can provide on whether that bill of lading or that documentation is indeed fraudulent. Private sector actors, port authorities should be using long range identification and tracking radar as appropriate to ensure they're tracking all vessels in their area of operation.

So for example, if you're a port operator in the Persian Gulf, LRIT can be used 24 hours a day, seven days a week to determine if all ships in that area have docked in an Iranian port or stopped in Iranian waters to conduct an STS transfer or have stopped just outside Iranian waters to conduct an STS transfer. We are encouraging ship captains and crews to take pictures of the captains and crews of the ships they do an STS exchange with. So if you're getting oil from another ship, it might be appropriate to take pictures of the captain and the crew of that ship and to transparently inform them. If that cargo ends up being sanctioned, you will release that information and those pictures to appropriate authorities. Legal representations about sanctions compliance are always appropriate. Importantly, it's appropriate to obtain the beneficial ownership information of vessel owners and those you're providing services to in the maritime sector.

Not only the information about the front company that might be seeking a flag or the parent of that front company, rather the ultimate beneficial owner and the individual principals that own and control that entity that ultimately get the benefit of that flag. It's also appropriate to determine if your counterparty has their own sanctions compliance policies that are as robust as yours should be. Second, we are going to continue to aggressively enforce sanctions wherever a private sector actor or a government may be violating them. And we're going to look towards enforcing them in a strategic way, much like the designation with COSCO, which was a strategic sanction designed to send a message across an industry. Sanctions are the sharp tip of our foreign policy spear. In 2009 through '16 we had 535 actions in the first

Three years of this administration, we've had close to 800 actions. We expect this pace to continue. We also understand that sanctions are not a silver bullet. They are simply a policy tool that are used in conjunction with other policy tools to achieve our foreign policy objectives. But this administration has not hesitated to use the full weight of the great American economy to protect our national security and we will continue to do so. Thank you very much.

LORBER: DAS Peyman, thank you for that. That was quite a breaking set of announcements and we really appreciate you doing that here at FDD with us. For those of us who are with us in the audience, following us online, and watching us on CSPAN, if you have a question, please feel free to tweet @FDD with the question and I'll check my phone every now and again and incorporate those into the conversation. Two big announcements, right? One big announcement, the RISC compact, additional jurisdictions. That's fantastic. Second big announcement is forthcoming advisory related to the global maritime sector. Before we touch on a couple of topics that I really want to focus on in the Iran context and the Venezuela context,

can I ask you, what's your message to the shipping industry right now about sanctions and sanction evasion?

PEYMAN: Many actors in the shipping industry are good actors. They have good intentions. I think there needs to be a greater appreciation of the immense economic risks to those that do not appreciate US sanctions and do not have the infrastructure to protect themselves against sanctions violations and ensure they're being proactive in complying with US sanctions. So the first step is understanding our laws and having expert advice on how to meet those regulatory requirements. I think the second step is to take a step back and to understand that sanctions are foreign policy tool, intended to achieve foreign policy objectives. So it's not necessarily enough to be compliant with the letter of the law. It's not enough perhaps in terms of your risk analysis and the health of your business for the long term to only be concerned with the letter of the law. It's important to understand where US policy is today and where it's going in the future.

And we've tried to engage the shipping industry writ large from ship owners to flag registries, insurance companies, financial institutions that provide financing to ships as well as ones that own ships to send that very, very clear message. And a part of our message is we want to have an open door policy. So, we want to be able to field questions from the private sector. But I really do think there's much more space for improvement in the private sector. It seems like much of the shipping sector is a generational business that has been handed down from generation to generation and business was conducted in a certain way maybe 50 years ago or 30 years ago or even 10 years ago. The world has changed quite dramatically in the last 10 years. The use of US sanctions I think of escalated and I think we've shown that we're ready to undertake strategic targeting.

So there's, I think a lot of space there. The maritime advisory is intended to provide guidance, answer a lot of questions, and get people started on the hard work that they must do to get to where they think they need to be.

LORBER: Gotcha. Fantastic. So turning to Venezuela first, this administration has launched and continues to engage in a significant sanctions campaign to pressure Maduro and his cronies. What's your sense of the administration's next steps? What is, what are you planning to continue to pressure Maduro to stop polluting the economy and to allow for free and fair elections in Venezuela?

PEYMAN: So I think special representative Abrams has been quite clear that we intend to hold those accountable that are undermining the democratic process in Venezuela and supporting an unelected dictator and undermining the legitimate president Guido. And those include foreign actors that are interfering in Venezuela, which is why we recently designated a Rosneft entity for their continuing – continued – operations in the oil sector in Venezuela. We will continue to hold foreign actors accountable for their behavior and interference, while

continuing to hold Maduro regime cronies accountable for their stealing of the Venezuelan people's wealth and property and assets. While at the same time seeking to block assets, hold assets for day one, day one of the legitimate government that actually is able to run the country without the interference of corrupt dictators like Maduro.

LORBER: Gotcha. Lots of interesting, interesting things to impact there. So the first is it seems like this is something of a targeted pattern with the administration of focusing on material supporters of regimes that we don't like and think are threatening US national interest. Right? So you have the Rosneft trading designation in the context of Venezuela. As you mentioned in your speech, you have a COSCO designation, COSCO Dalian on designation in the context of Iran. Is this something that your office in particular is really targeting this sort of material support network that's able to prop up these regimes?

PEYMAN: Absolutely. Where we have authorities, we will be pursuing them. I think it's important to know the United States does not tell anybody what to do. But, we have a sovereign right to decide who we do business with, who gets to use our dollar, who gets to use our financial system. And we've spent the better part of the last century making sure we have the strongest, most reliable currency in the world and the strongest economy in the world. And we have no tolerance for those that decide to do business with terrorists, corrupt dictators, and those that commit human rights abuses and are stealing the wealth of their own people, while undermining global peace and stability, and threatening our national security.

LORBER: Great. Thank you. And on your comment about making sure that on day one, the legitimate government in Venezuela, the Guaido government will have access to sort of PdVSA assets or assets that are held abroad or had been stolen by the Maduro regime and its cronies. How was the State Department going about securing those assets, or figuring out where they are and making sure that they are going to be available, you know, the day after?

PEYMAN: Sure. So obviously when the Treasury Department undertakes an enforcement action to freeze or block an account, we're able to determine where those monies are and ensure that they're continued to be frozen and blocked and not used by malign actors to the detriment of the Venezuelan people. And we're closely tracking, globally I think, assets, accounts, and monies worldwide to ensure that those are preserved for the Venezuelan people.

LORBER: Gotcha. And we've seen over the last few months sort of the reinvigoration of the Venezuela program, certainly with interim president Guaido's appearance at the State of the Union. Can you give us a preview, perhaps, not mentioning specific targets that maybe, you know, are under consideration, but where you see the Venezuela sanctions program going over the next few months?

PEYMAN: Sure. So, I think we sent a really clear message over the last few years that we're taking an escalatory approach in Venezuela and our sanctions are going to continue to



ramp up. That ramping up could be broadening the scope of our targeting to include secondary actors that contribute to the situation in Venezuela who are located outside of Venezuela. But that could also include a substantive broadening of our sanctions program to potentially include other sectors and other areas that are not yet sanctioned, and obviously I can't get into the details to forecast what they might be, other than to say everything is on the table.

LORBER: Thank you. So turning to Iran, based on your comments and the economic figures you included in your comments, it's clear that the maximum pressure campaign is having a significant impact on the Iranian economy and it's also, I think, having a significant impact on the Iranian's ability to finance terrorism and line activities throughout the region. Couple questions on this: first question is, is there more the private sector can do in your estimation to amplify that pressure?

PEYMAN: Yes.

LORBER: And if so, what?

PEYMAN: I think there's always more I think the private sector could do. We talked about the shipping sector. I think also in the metal sector, needle coke, and electrodes are key components to Iran's ability to produce metals-- which they then export for significant revenue. The state department issued an advisory a couple of months ago on this particular topic. I encourage any producer of needle coke and electrodes to carefully read this advisory, because many of those companies may be located in the United States and they may be located in Europe and they may be selling their needle coke and electrodes to Chinese companies who are then re-exporting them to Iran. So it's important to have good export controls around high risk products. This is a high risk product. I think it's important for terminal operators in ports across the globe to ensure they have sufficient compliance programs to ensure they're not taking, or allowing the port to take, sanction-able cargo from Iran, whether that's petrochemicals, refined petroleum, crude oil, metals, or construction material. Any material that is sanctioned would potentially put them at jeopardy. And I think understanding your risk more broadly, it goes back to understanding what the rules are and what the laws are, your exposure to them, and the direction of US foreign policy. And we've graduated now from a maximum economic pressure campaign against Iran to a super maximum economic pressure campaign, where we'll look toward ramping up our enforcement and continuing to designate key strategic targets. If I could just use the COSCO, a target as one example. COSCO, major Chinese state owned enterprise, and so we designated two subsidiaries and I think that was important because it sent the message that I indicated in my speech: that no one is too big to fail, but also the result was important. So, after we designated COSCO, we engaged in several rounds of discussions with COSCO to ensure that they will comply with US sanctions going forward. They created sanctions compliance programs, they change behavior, they change behavior which is the intent and purpose of our

sanctions. Our sanctions are not necessarily meant to punish, they're intended to change behavior of actors to become consistent with US foreign policy. And I think they did that.

LORBER: Let me follow up on that. So, COSCO changed their compliance behavior. Have you seen other shipping companies, for example, in the industry who looked at COSCO and said, 'wow, we don't want that to happen to us'. Have they similarly changed their behavior? Are there indications of that as well?

PEYMAN: There are indications of that and we've seen that from other private sector companies and I would note that it's not in the shipping sector because you know COSCO exports cargo. So those that rely on ships to carry whatever cargo that they're doing business in, whether it's in the construction sector, the energy sector or the metal sector, whatever sector that might be. Those companies take notice and they ask themselves: 'Are we sensitive to this risk? What is happening with respect to US policy?' And we're getting those questions and indications, which is a great thing. And our door is always open to answering those questions.

LORBER: It's intriguing. It's something of a "twofer" in the sense that companies are beefing up their compliance programs, which is great in terms of increasing the integrity of the system, but at the same time it probably allows you to more easily identify those companies who aren't doing that, who may actually be bad actors intentionally transporting Iranian origin crude.

PEYMAN: Eric, that's such a critical point. Because I think for the health of any sector, it's important for bad actors not to take advantage of good actors. And we all recognize there's economic costs in complying with sanctions, and companies have to bear that cost, but they shouldn't act at a disadvantage to those that are manipulating the system: evading our sanctions. So the more we're able to create a common floor about what good compliance means, and the more companies buy into that program, the more they'll be protecting themselves from bad actors, and also, not allowing others to take market advantage of the good work that they're doing.

LORBER: Fantastic. And let me go back, David, quickly to your point about the maximum pressure campaign and then the super maximum pressure campaign. It was a great term. Sometimes you hear the criticism or the comment, I guess that, well, in terms of authorities, we're just maxed out on Iran. There's nothing else we can do from an authority perspective to ramp up pressure further. And of course we heard this argument, you know, following the full snapback of sanctions in November, 2018 and there were steps that were taken afterwards to continue to ramp up the authority. But in your mind, is there a sort of a super, super maximum pressure campaign? Are there other authorities or steps that could be taken beyond what you were discussing about enforcement, which is obviously incredibly important?

PEYMAN: Well, just looking at it objectively, and obviously without forecasting what we may be thinking or doing. I think if you look at Iran, there are other opportunities to expand the scope of our sanctions.

LORBER: Great, Yeah. Well I won't press you on that further, but understood. So, we had a number of questions come in from, from the audience both before the session and during. So, I want to turn to some of those now. So, the first question that we received was a question about China in the context of Iran. Right? And so going back to the COSCO discussion, and the question essentially is: "How can we push China further to make sure that they are not providing support to Iran and in particular they're not providing support to Iran in the context of importing Iranian origin crude?" And I want to get your thoughts on that.

PEYMAN: Sure. So one more announcement I can make today, and I think I may have mentioned it, we are going to be issuing guidance on bunkering: providing storage for sanction, Iranian oil and the sanctions risk and providing that service. And so we're hoping being transparent about where we see the risk and what we intend to do about it from an enforcement perspective will induce a change in behavior before we have to resort to enforcement actions. But we are looking at the very broad range of all evasive behavior, whether that is a ship owner or a poor operator or a terminal operator or refinery, anybody basically in the supply chain of energy – from the very beginning where ship picks it up to the very end after the ship to ship transfers may have occurred and holding everybody in that chain responsible. I think sends a very important message to the industry that the time of pointing fingers and claiming ignorance is over.

LORBER: Thank you. And following up on that, I apologize because I started the conversation off by saying that there were two major announcements or two big announcements you made. I think there actually may be three, right? There's the RISC compact, there's the bunkering guidance. And is that separate and apart from the maritime shipping advisory?

PEYMAN: Yes.

LORBER: Okay. So those are the three. Great. And following up on the prior conversation about China, we've gotten some questions from the, from the FDD tweet handle about the current impact of the oil price plunge over the last few days and what your assessment is for what that means for Tehran and what that means for their, for their ability to continue to withstand the current sanctions regime that's in place.

PEYMAN: Sure. Well first, nobody should be importing sanctioned Iranian oil. So, notwithstanding any price fluctuation, nobody should be in the business of dealing with sanction cargo in terms of those that seek to evade our sanctions. Having cheaper Iranian crude may have an impact on their bottom line and their assessment on how "worth it" it is: the risk and whether

it's worth it to engage that in that kind of evasive sanctions busting behavior for potentially a decreased profit margin.

LORBER: Okay, and so do you think that you know that price plunge would, for example, impact Chinese buying if there is Chinese buying of Iranian oil going on or –

PEYMAN: – Well, I'm not going to speculate on the complexities of the energy markets, particularly in China, other than to say that we expect no one to be engaged in sanctioned Iranian cargo or operating or transacting sanctioned Iranian cargo. Okay.

LORBER: And turning to some of the conversations that you've had with our European counterparts over the last maybe six months or a year, obviously the decision to withdraw from the JCPOA was not a popular decision within the E3 within Great Britain, France, and Germany. But it seems like over the last few months anyway, there's been less sort of protests coming out of the E3 about US sanctions policy towards Iran. And I really want to get your sense of where the E3 stands right now in terms of our maximum pressure campaign. Are they more on board with it or are they still sort of reluctant followers? What's your sense of where things are?

PEYMAN: Sure. So I think we've had very healthy, continued, close engagement with our partners in Europe on areas where we can align today and going forward. And I think there's areas that we could work on together that includes areas outside of the nuclear context. Whether it's responding to ballistic missile proliferation and the other host of bad acts that the reunions are committing, including assassination attempts on European soil. So you had attempts a couple of years ago in Paris, a bomb plot in Paris assassination attempt in Denmark. I think the Europeans have shown they're willing and able to respond to that through the use of sanctions. And so where there's opportunities, we'll continue to work with them. I also want to make one point more broadly, not only about Europe but, but our partners all around the world. And there is a misconception that US sanctions against Iran are unilateral. But the fact of the matter is, in implementing or sanctions, we have fantastic partners all over the globe from Europe to South America to Asia who are not only complying with us sanctions, but are proactively helping implement our sanctions. So at least in that respect, our sanctions are multilateral. I don't think you would have seen the success that we've seen if they weren't.

LORBER: Yeah. And, and the, of course they're multilateral, not just in the sense of being multilateral with other jurisdictions, but in some ways they're multilateral with different types of actors. I mean, I know that when I was at Treasury and we were implementing the snapback of sanctions, we were very pleased to see how many companies, European companies in particular said, 'we're not willing to continue to do operations in Iran in potential violation of US sanctions. And so we're going to pull out.'

PEYMAN: Absolutely. And I think that's a perfect example of American clarity and leadership. I think we operate with a very clear moral compass and when we take the lead, the

world soon follows and when we say either business with United States or a terrorist sponsoring regime that is killing its own people committing human rights abuses engage in proxy wars in Syria and Yemen sponsoring terrorism, that's a very clear choice for many in the private sector to be making.

LORBER: Yeah, exactly right. I mean we saw companies leaving within – huge companies that had massive operations in the country – leaving within two or three weeks of the announcement. Well within the wind-down grace period. What's your response, then to the sort of oft heard argument here in DC, and you've alluded to it a little bit: that we are overusing sanctions and if we continue to use sanctions in such a unilateral way, well the Russians and the Chinese and the Europeans are going to develop work-arounds and exhibit A is: INSTEX, the European SPV; and exhibit B is: name your sovereign cryptocurrency. What's your response to that?

PEYMAN: It's a good question. First I think we have to be, and I think we are, quite deliberate in how we use sanctions to ensure a few things. Number one, what is the policy objective? What is the goal that we're trying to achieve? Secretary Pompeo, special representative Hook, the president have been extremely clear on our specific policy points on Iran. We've been extremely clear on our specific goals with respect to Venezuela. We've been extremely clear on our goals with respect to DPRK North Korea, so making sure you know what the foreign policy objective is and does the sanction action, whether it's a new executive order or whether it's a new target, how does that move the ball forward? It could be in a modest, small way or in a strategical large way, but how does that move the ball forward to achieving your ultimate foreign policy objective? And those are things we think about quite deliberately and people much smarter than me throughout our government think about those things with the help of our intelligence community.

Secondly, we do want to use sanctions in a multilateral way on Venezuela. Over 50 countries around the world have supported our policies. On Russia Transatlantic unity and cooperation is the cornerstone of our sanctions approach with respect to Russia. On North Korea, similarly, the UN has done a fantastic job in ensuring implementation and enforcement of sanctions writ large. That multilateral aspect is important. On Iran, we just talked about how the globe in many ways silently but nevertheless are proactively helping us implement and comply with our sanctions. So that's also an important component. It's important to listen to the voices of the people in the countries where we are – have targeted sanctions. The voices of the people in Venezuela who are supportive of our sanctions regime and approach the voices of the people in Iran who bravely are demonstrating 'death to the dictator, death to Khameni' blaming him in his cronies for plundering the wealth of that country, mismanaging the economy and committing the range of malign behavior that they've committed.

And it's also important, I think, to have conversations with our foreign partners on the use – appropriate use of a sanctioned infrastructure for their own countries. There's no reason why the United States has to be one of the few countries in the world with a sanctions infrastructure. And we've been having conversations, particularly within the Rio group, on why it's important for countries to have at least that ability. So when the time comes, where they see a need to use sanctions to protect their own national securities and to protect their hemisphere, as we're all trying to do with respect to Venezuela and foreign interference in our atmosphere, to have the tools necessary to implement and the United States obviously will stand by them every step of the way.

LORBER: Yeah, it's interesting. I mean, one, one thing that's a little bit out of scope for the conversation, but obviously with, with Brexit, you know, the only other major sanctions authority that's currently in place, that, where there's actually been enforcement activity is in the UK under, under OFSI office of financial sanctions implementation. And so it'll be interesting to see if that office begins to ramp up its enforcement activity in the UK begins to adopt even more sort of autonomous sanctions, you know, moving into the future.

PEYMAN: Yeah, absolutely.

LORBER: Yeah. And one thing I'll say in response to your response to the question that we received and in response to your response about unilateral sanctions activity. At Treasury, we always used to look at it and say, if we see bad activity that we can disrupt here and now with a designation or with some other type of disruptive action, we are going to take that action.

It doesn't necessarily mean that we don't think about what the long term implications are. We absolutely did and it sounds like that's still an ongoing conversation as it should be within the State Department with the inner agency, but it was always that sort of, if we think that this action is going to stop this terrorist from getting money or you know, the IRGC from receiving hundreds of millions of dollars in hard currency that It can then send to Hezbollah or Hamas, we're not going to pull that punch because we are afraid of what the long term impact of this designation would potentially, in some far off world, due to the power of US sanctions down the road. I think that's much of the mindset.

PEYMAN: I think that's, that's, that's largely true. Absolutely. So if there's a – look, we're in the business of protecting this country and enforcing U S law and if you're breaking us law, we're going to look toward enforcing it and holding you accountable. And it's also important to note that just because you might think you're getting away with it today, don't hold your breath, because it takes some time to develop packages as I'm sure you know. And, and we do have to go through the process, but have no doubt that process is continuing

LORBER: Yeah. That's a great point that I just want to flesh out a little bit. So I think it was in maybe 2017 and this is coming from the treasury perspective. Everyone was reading the

tea leaves about OFAC enforcement actions because there was something of a dip in enforcement activity and everyone in the private sector was saying in the commentary and in think tank world saying: “Oh, this must be part of a deregulatory approach: low enforcement, they're not going after anybody. It's, it's a concerted effort”. And those of us who had spent time in government and who are in government sort of knew in the back of our minds that you can't just turn on or off enforcement activity at the flip of a switch. It takes years for these cases to come through.

PEYMAN: Absolutely. Yeah. You're absolutely correct. That's right. And I think that raises the need for private sector actors, not to speculate and make assumptions, but that could have been a legitimate change in policy. And that presents us an opportunity to have conversations with folks like yourself when you were at treasury over at the State Department about what our approaches and if it's changed or not, rather than guessing. I read a lot in the press about why we delisted COSCO and the fact that it was economically unsustainable, which is factually inaccurate. What's accurate is that, is that we use sanctions as they should be used, to elicit a change in behavior. And that's not to say that in the future of COSCO violates, they will not be re-designated.

LORBER: Yeah, it's interesting that that question of changing sanctions or lifting sanctions in exchange for, you know, a change in behavior is exactly to your point, what you're trying to achieve with the use of sanctions in the first place. You know, certainly with the, and we all spend time on Russia, but with the Rusal and the EN+T listing, it was that exact type of activity done by the Treasury Department where we're able to secure real strong terms and conditions to make sure that Oleg Deripaska, the Russian SDN who should be designated no longer had ownership or control of sodium plus

PEYMAN: Absolutely. Sanctions are a great rehabilitative tool to, to change the thinking and the cost benefit analysis of, of, of, of private sector actors. And as long as we can bring them on the right side of the railroad tracks, I think we've won.

LORBER: Yeah. So I want to turn in our remaining minutes to a couple more questions from, from the audience. We've had some come in over the hotline. One concerns FATF, the financial action task force. So as you know, and congratulations, I think this was part of a long played out strategy, the FATF called for the re-imposition of countermeasures on Iran at their plenary, I think it was two weeks ago. What's your sense of the impact that this – the call for the re-imposition will have on the Iranian financial sector in particular?

PEYMAN: Oh sure. I appreciate the compliment but I have to say Assistant Secretary Billingslea at Treasury really deserves much of the credit for doing a lot of the heavy lifting with getting to where we, we got to with respect to, re-imposing full counter measures against Iran that has I think a tremendous impact and it feeds the same narrative that this is not a regime that can be trusted. This is not a financial sector that can be trusted. There has to be intense,

heightened due diligence taken even when we're thinking about potentially engaging any non-sanctionable act. And so we'll see. We'll see how that plays out. We'll see how entities that are linked up with non-sanctioned Iranian banks may be, may be reacting to the blacklisting.

LORBER: Hmm. Okay. Interesting. Yeah, 'cause I mean, there are a number of non-sanctioned Iranian banks are designated but not subject to secondary sanctions. Yeah, exactly. Right. So they will likely be impacted, potentially, by this. That raises another question, which is one we also received from the audience and it's particularly germane in the white of everything that's happening or allegedly or supposedly happening in Iran right now related to the Coronavirus. What's been the administration's response to Coronavirus, within Iran? And then more broadly, how has the administration sort of answered the critique of, you know, US sanctions cutoff humanitarian aid from Iran and therefore we are in some way responsible for some of the humanitarian issues that the country's facing.

PEYMAN: We have been quite clear that the humanitarian channel has always been open and will remain open and we're encouraging the export of food and medicine to the Iranian people. And the Swiss mechanism was intended to provide another, I think important mechanism, to ensure that export channel stays wide open. We can't tell private sector companies what to do, but we can make clear what our approaches and our approach is to keep that humanitarian channel open. I could tell you also, that this is an area where I encourage private sector companies who have specific transactions that they're interested in, who may have some concern, to reach out to the US government. My division has not received a lot of calls from people who are interested. And so if there's this perception out there that there's over compliance, I would say, please, if there's an interest on a particular specific transaction and there's hesitancy, there may be space for us to provide guidance to ensure that kind of transaction could be accomplished.

LORBER: Yeah, that's really useful advice because, so I work with clients on the private side and, and whenever anyone suggests to them that maybe they should reach out to the U S government authorities about a proposed transaction or a proposed a business deal that may deal with humanitarian goods provision of services to Iran, their first response is almost always, 'no, no, no, no, no, no, no, no. Don't, don't go to USG because look at the fines, look at all the enforcement activity,' and what's your response to that?

PEYMAN: My response is: we don't use those opportunities to, to play whack-a-mole and to go after good intention actors who are looking for sound advice on how to comply. We don't use those opportunities to say, 'they came into the door to talk to us, how can we get them?' That's not the approach we take. And I'll tell you something, the best conversations I've had, and I think the ones that have been most fruitful for private sector companies are those operating in high risk jurisdictions including Lebanon and Iraq and other jurisdictions who want to do the right thing and come into my office and have a frank conversation about how they



could be doing the right thing without violating US sanctions. Those are tremendously helpful conversations for private sector actors and I encourage them. And, and just to, to your point about coronavirus that you asked about, special representative Hook I think has made repeated public statements about our desire to help the Iranians address this virus. I think Treasury recently put out some guidance on our approach. So we've been quite clear that we're there and ready to offer whatever assistance that we can.

LORBER: Yeah. And my understanding is that Iranians have not taken us up on those offers.

PEYMAN: That is correct. That is correct. And I don't think they've taken us up on previous offers of military aid when they were facing other natural disasters.

LORBER: Okay. Alright. So I have another question from our audience and it builds off the conversation we were just having about those who want to be in compliance. How do they actually come to you and to your office to get the guidance that they need. And so you know, how would you recommend people get in touch with your team?

PEYMAN: So we do have a website and I think there's contact information there. There are, there is an opportunity when you go to the State EB a threat finance sanctions division, a website to sign up for sanctions alerts. Much like you would get from OFAC. And I'll make sure when I go back to ensure that the contact is up to date, but you can reach out to us to the extent it's an OFAC question. You could still reach out to us, reach out to OFAC by all means, but we will help facilitate that, that dialogue as well, especially if it's time sensitive. I would encourage anybody reaching out, to reach out with a specific set of facts on a particular transaction. It's hard to give any advice or guidance on a hypothetical or on a situation where we don't have all the facts and naturally that's going to elicit questions from us about more facts, so we can make an honest assessment and provide transparent guidance and advice going forward.

LORBER: Yeah, that makes sense. So for everyone on the line and watching the advice is reach out, but reach out with all of the information ready to go. Because if you don't, all you're going to do is incur additional sets of questions that probably arise. Yeah. And from a personal perspective I've asked are you guys fairly responsive in terms of getting back to, to include?

PEYMAN: I think we try to be, I think certainly when, when folks have reached out to us, I've had, I spent a significant portion of my time communicating with private sector actors, US companies in the energy sector and other sectors, foreign companies, Middle Eastern companies, semi-private companies, government run institutions, state owned enterprises in Asia and in other parts of the globe. So I spent a considerable amount of time on those topics. It's important because these are people that are responsible for a lot of business activity in key strategic sectors where we want them to comply. So if we can get them there and create a

common threshold for what good compliance means, we've just, we've just accomplished many objectives in one meeting or in a few meetings.

LORBER: Yeah. Fantastic. So we've got a couple more questions from the audience. I want to ask cognizant of the time, a few minutes left. I want to ask one of them, but then I want to ask you the final question which will be, all of us are thinking about in sort of the compliance space into the think tank world. What's ahead for sanctions in 2020? And so I want your thoughts on what you think is ahead for sanctions in 2020, of course not giving away specific targets or anything like that. Before we get to that question though, the one from the audience that I do want to touch on is, 'walk us through how you think of economic pressure as one tool in the foreign policy toolkit and in your role at State, how do you see sanctions complementing other elements of national power?'

PEYMAN: That's a great question. Where do I see us going in 2020 I think it depends on which sanctions program you're talking about, obviously. So, it goes back to the point of being deliberative to ensuring the sanctions respond to specific policy objectives and determining what kind of progress we're making. With respect to how sanctions work with other policy tools, it is, as I mentioned in my opening comments, not a silver bullet. It is one policy tool designed to achieve objectives you use best with other policy tools. In terms of diplomacy, I think it gives us the leverage we need to have good engagements and achieve positive results without resorting to enforcement action. So the sanctions tools are there, are there, I think we've made good examples of private sector entities that have violated our sanctions and we've shown that we're not hesitant to use our sanctions no matter who you are or what country you're located in.

So when we have those real frank discussions with those that could be doing more to comply with sanctions that may potentially be violating our sanctions. I think knowing that we have enforcement mechanisms, authorities to back that up is important. I think knowing, in the Iran context, you know, sanctions are sanctions and we work very closely with our Treasury colleagues to implement sanctions. We have expanded our resource base. We have expanded it to include a sanctions targeting team in the State Department to implement economic sanctions authorities, delegated to the Secretary of State and work closely, hand in hand with our treasury colleagues as well and implementing and helping them implement a Treasury authorities as well. It doesn't matter then at end of the day, it's all one US action, but we've increased our enforcement power I think, and we're continuing to expand that. That only leads to more fruitful discussions and being proactive with foreign counterparts on what they should be doing to comply before we need to resort to enforcement.

LORBER: Fantastic. And I will say that as a former Treasury person, it's great to hear that that State is expanding your resource base because I'll tell you as I'm sure you know, the folks in OFAC work so hard, so I'm sure that they've been grateful for that.

PEYMAN: They work hard, they're talented. I've never seen a more dedicated group of people than my counterparts at OFAC led by, by Andrea Gaike and it's just fantastic partnership throughout and we work with them. I wouldn't say on a daily basis, but more like an hourly basis.

LORBER: Yeah. Open, open phone line.

PEYMAN: Yes.

LORBER: So I want to give you the last word. Is there anything else you would like to share with us or to convey to the audience given the important announcements that you made today?

PEYMAN: Sure. I, first of all, thank you for allowing me to be here and in giving me the opportunity to speak with you. I think these discussions are critical. I think creating more transparency, more communication with the private sector is indispensable, and ultimately the best way we can protect the United States is through public, private partnership and cooperation. And that's what we intend to do going forward.

LORBER: Fantastic. Please join me in thanking Deputy Assistant Secretary of State, David Peyman.