



Briefing on a Treasury Designation Under Executive Order 13382

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MR. DUGUID: Good afternoon, ladies and gentlemen. We are on the record with Acting Assistant Secretary for International Security and Nonproliferation Patricia McNerney, the Principal Deputy Assistant Secretary for Near Eastern Affairs Jeffrey Feltman, and the Director of Treasury's Office of Foreign Assets Control Mr. Adam Szubin. Mr. Szubin will go first. Each of the participants will make a statement and then we'll go to questions. Please remember when asking your question to remind the panel of your name and your affiliation. Thank you.

Mr. Szubin.

MR. SZUBIN: Thank you, and good afternoon. Today, just a few minutes ago, the Treasury Department designated the Islamic Republic of Iran Shipping Lines, which we refer to as IRISL, or I-R-I-S-L, Iran's national maritime carrier, as well as 18 other affiliated entities, for providing or attempting to provide logistical services to MODAFL, Iran's Ministry of Defense and Armed Forces Logistics.

This action was taken pursuant to Executive Order 13382, which is aimed at freezing and disrupting the activities of proliferators of weapons of mass destruction and their supporters. The press release is being distributed as I speak.

QUESTION: Has this already gone out in Treasury, do you know?

MR. SZUBIN: This went out as I was walking in the door to this room.

STAFF: It's for immediate release.

MR. SZUBIN: IRISL is a global operator with a worldwide network of subsidiaries, branch offices, and agent relationships. It is, as I said, Iran's national maritime carrier. It's the largest state-owned shipping provider of Iran, and it provides a variety of maritime transport services, including bulk, break-bulk, cargo and containerized shipping. These services connect Iranian exporters and importers with companies throughout the world.

According to information available to the U.S. Government, IRISL also facilitates shipments of military cargo destined for MODAFL. MODAFL has ultimate authority over Iran's Aerospace Industries Organization, or AIO, an umbrella group which controls Iran's ballistic missile research, development and production activities and organizations. Both MODAFL and AIO have already been designated under this Executive Order by the U.S. Government.

The U.S. also has information that points to an alarming pattern of denial and deception techniques by IRISL. Specifically, IRISL has employed the use of generic or cover terms to describe shipments so as to mask the content of those shipments and so as to avoid the attention of shipping authorities. They have also used front or cover entities to conduct official IRISL business. In 2007, IRISL transported a shipment of a precursor chemical destined for use in Iran's missile program. The end user of this shipment was Parchin Chemical Industries, a company that has been designated not just by the U.S. but by the United Nations Security Council because of its ties to Iran's proliferation activities.

Because of the high risk of unwittingly facilitating Iran's proliferation activities, we call on banks, companies and insurers worldwide to reevaluate any ongoing business relationships with IRISL. IRISL's deceptive conduct makes it nearly impossible to determine whether its shipments are licit or illicit under the international standards put out by the UN Security Council in its resolutions.

Accordingly, today's designation is consistent with UN Security Council Resolution 1803 of March 2008, which calls on all member-states to inspect suspect IRISL cargos, and it identifies IRISL by name, to and from Iran, where there are reasonable grounds to believe that the vessel is transporting goods prohibited under this or prior UN Security Council resolutions, such as the precursor chemicals, dual-use items or weapons.

I want to take a brief moment to put today's action against IRISL into a broader context of the U.S. Government's activities with respect to Iran. Iran is continuing to pursue nuclear capabilities, develop ballistic missiles, and support terrorism. In doing so, its regime employs a range of deceptive financial and commercial practices. The fact that Iran tries to conceal its illicit and dangerous behavior results in an increased risk of doing business with Iran. We, in the Treasury Department, in particular, have talked a lot about these risks in the financial and banking contexts, and the international community has grown increasingly alert to those risks of doing business with Iran.

The UN Security Council in its most recent resolution calls on states to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, particularly Banks Melli and Saderat.

As a result of this heightened risk, we have seen financial institutions around the world decide to scale back or terminate altogether their dealings with Iran. But I would note that our designation today illustrates the risks of doing business with Iran that extend beyond the financial sector, beyond banks, to other sectors, notably including shipping and insurance and others.

I would note that the first UN sanctions resolution on Iran, 1737, prohibits the provision of any financial services that could contribute to Iran's nuclear and missile activities. This includes banking, of course, but also financial services beyond banking such as insurance. To speak specifically about today's action, companies that are providing maritime insurance to a company like IRISL ought to do so after only extreme diligence, given not only their ties to Iran's proliferation activities, but IRISL's established deceptive practices.

We will continue to work closely with our international partners to combat Iran's illicit conduct and raise awareness of Iran's deceptive practices. Right now, Under Secretary Stuart Levey is in Europe talking with his colleagues about the ongoing and very distressing activity that we've seen with respect to Iran's proliferation practices. And Deputy Assistant Secretary Danny Glaser is up in New York meeting with his counterparts to discuss our shared efforts to combat Iranian proliferation and support for terrorism.

Our sustained multilateral efforts are having an impact and we are seeing Iranians beginning to question the wisdom of their regime's self-isolating and reckless policies.

With that, I'll turn it over to my colleague, Patty McNerney.

MS. MCNERNEY: Thank you, Adam. I just want to add a few other additional comments. I think Adam laid out carefully what today's action means. I'd reemphasize that we think this action will reinforce UN Security Council Resolution 1803's requirements. As well, we believe this is consistent with our dual-track approach towards Iran. Obviously, the P-5+1 has set out a list of incentives and a path for negotiation, but there are also consequences when Iran fails to meet its requirement to suspend its sensitive nuclear activities.

We've worked closely, as well, with a large coalition of countries around the world to prevent Iran's procurement activities. The Proliferation Security Initiative is one area where we have a large coalition of countries working cooperatively to interdict shipments of proliferation concern. And obviously, IRISL was called out by the UN Security Council as a company that has engaged in proliferation shipments.

Today's actions, we believe, will also further our efforts to prevent Iran from procuring items that are prohibited from shipment to Iran for its nuclear and ballistic missile programs. And there are a number of items, obviously, that are dual-use in nature that would be shipped on these IRISL vessels. We believe that through manipulation of its shipping documents and its use of cover entities, IRISL has been able to support Iran's illicit procurement activities under the guise of global business.

Today's designation not only impacts companies based in Iran, but also in ten countries around the world -- the U.K., Italy, Germany, Belgium, Malta, Egypt, the UAE, Singapore, China, and South Korea -- and reflects, in our view, the global network that IRISL has at its disposal for its procurement activities.

We believe that Iran continues to advance its pursuit -- its pursuit globally of technologies that would provide it with a nuclear weapons capability, which ultimately is the impact -- will have the impact of today's actions. The designation and robust implementation of international sanctions is designed to curb Iran's access to these materials for these programs.

I'll turn to Jeff -- Ambassador Jeffrey Feltman, who will have a few comments as well.

AMBASSADOR FELTMAN: Thank you. I'd like to step back and put this a little bit in context, following up on Patty McNerney's reference to the dual-track approach that we have adopted for Iran. You know, today's designation of IRISL is fully in line with that dual-track diplomacy that we are using to confront the challenges Iran poses for us.

You know, on the one hand, we are trying a variety of channels to engage with the Iranian people. And we have used the P-5+1 to put on the table a very unique set of incentives. These incentives, through the P-5+1, offer Iran what Iran says it wants, which is a civilian nuclear energy program, and also would open the door to the Iranian people for a variety of educational and economic opportunities.

All we're asking of Iran is that Iran simply comply with its obligations under the International Atomic Energy Agency and under the UN Security Council obligations. That's all we want, that Iran sticks to its obligations, Iran fulfills its obligations. Unfortunately, so far, Iran has not fulfilled its obligations. So far, Iran has not responded in a clear, positive way to the P-5+1 incentive package.

So given that, given that lack of a clear response, that leads to the other path in the dual-track strategy. That leads to looking for ways to incrementally increase the pressure on Iran, to show Iran the cost of defying the international community, particularly in the nuclear front. And this designation of IRISL today, as my colleagues have explained in more detail than I am able to do follows on a string of other designations, both in the Security Council and in the European Union, as well as by the United States. This includes the designation of key banks, includes the designation of the IRGC, the Revolutionary Guard Corps. We have seen that these sanctions are having an impact. As my colleagues explained, international banks, international petroleum companies, are reducing their interaction with Iran.

Let's be clear, that P-5+1 offered the incentives package. It still stands. It's still there. But given Iran's continued failure to respond positively, the P-5+1 have agreed that we have no choice but to pursue further sanctions. We've been discussing the next steps with our partners already. I'd like to quote our Under Secretary of State Bill Burns who said, "Our strategy is built on tough-minded diplomacy, maximizing pressure on the Iranians at multiple points to drive home the costs of continued defiance to the rest of the world, especially on nuclear issues. At the same time, however, we are trying to make clear to Iran and its people what they stand to gain if they change course." And again, all we're asking is for Iran to comply with its international obligations.

MR. DUGUID: Questions?

Arshad.

QUESTION: Mr. Szubin, if I understood you correctly, you said that you believe, for example, insurance companies should think very carefully and do extreme due diligence before choosing to do business with this company and the affiliates. Is it your hope or expectation that insurers will terminate, simply cease to deal with this company and the others? Or rather, is it your hope or expectation that they'll simply raise the price, in other words, charge them more for doing this?

And then secondly, to what extent does this action potentially affect Iranian petroleum shipments? Do you foresee any specific effect on Iran's ability to transport petroleum as a result of this designation?

MR. SZUBIN: Thank you. I'll try to take those in turn. All insurance companies, and for that matter all private entities, need to make their own decisions as to what business they're going to do and at what cost. That said, our designation today points to a series of proliferation-related shipments in which IRISL was delivering or acting on behalf of MODAFL, AIO and other designated proliferation entities. And when that is combined with the demonstrated pattern of deceptive practices, where IRISL has misled maritime authorities and other companies about the nature of the goods it's shipping, it leads one to a very difficult question, if one is considering doing business with IRISL consistent with international requirements.

So to the question you ask, every company and insurance company will have to ascertain for itself whether it is comfortable that the cargos and the shipments that it is insuring are consistent with international requirements not to assist Iran's proliferation program. I don't know how easily they can reach a state of comfort with that. If they can, then they ought to proceed. But I think it's presenting, at the very least, a very risky proposition.

On your second question, IRISL, while Iran's national maritime carrier, is not, in our understanding, a primary carrier of its petroleum exports. And so in line with that, I don't think we'd expect to see a major impact on those exports.

QUESTION: You mention that -- you point to a series of suspect shipments. I only see one that's listed here. Maybe I'm missing another page or something.

MR. SZUBIN: What we've been able to identify, of course, in our public statement is a subset of what we're able to identify in classified information. And of course, as you know, when it comes to proliferation activity, we're always going to be somewhat limited in what we can share publicly. What we've provided is, I would say, representative of a series of similar transactions and shipments in which we have seen IRISL engage in deceptive practices. And we describe the nature of those practices -- the use of cover names, the use of front companies -- in our release.

MS. MCNERNEY: Can I -- might I mention to just to follow up on that, it was also specifically referenced in UN Resolution 1803 because the members of the Security

Council recognized that IRISL has a pattern of proliferation-related activity.

QUESTION: And is it-- it is illegal to be vague or generic in using -- to use vague or generic terms in terms of shipments? I mean, where do you get the proof that they have deliberately misled maritime authorities?

MR SZUBIN: (Inaudible.)

QUESTION: That is the end of the question. Where is the proof that IRISL has deliberately misled maritime authorities? And is the use of generic terms-- not being as specific as maybe you would like-- illegal in some way?

MR. SZUBIN: To take the second question first, using a generic term -- for example, to say weapons systems-- and not detail the type of system you're talking about isn't illegal, of course. It's being overly broad, and you give the opportunity to the insurer and the end user and all of the middle men who are instrumental in that shipment the opportunity to ask follow-up questions.

MS. MCNERNEY: Well, actually, in some cases, it may actually be illegal because many countries obviously, when a shipment comes into call, have to meet the obligations of the nation's laws.

QUESTION: But I don't see that --

MS. MCNERNEY: Oftentimes, one has to, in fact, be very clear when you have a dangerous cargo, a military-related cargo, and things of that sort.

QUESTION: But I don't see that listed in here as something that they've done.

MR. SZUBIN: Something?

QUESTION: I don't see anything in this statement, unless there's another one that I missed when I had to walk out, but there's nothing in here that says they've said weapons systems when, in fact, it is, you know, a nose cone for a ballistic missile or something like that.

MR. SZUBIN: What we're able to say in our statement is, as you see, the use of generic terms to describe shipments so as to deflect attention and the use of cover entities so that the involvement of IRISL itself is not apparent to those involved in the transaction. Now, is that, in itself, illegal? As Assistant Secretary McNerney says, it may be. But our point in this release is that in connection with the fact that it has transported shipments illicitly to designated proliferation entities, the fact that they're using both cover names and cover companies to disguise the true nature of that shipment is something that even if, in and of itself isn't illegal, ought to raise serious questions for anyone considering insuring an IRISL shipment or doing business with IRISL.

QUESTION: I'm sorry, but I just don't see -- other than one incident when the end -- where there was this precursor chemical, I don't see any -- I mean, you're saying nothing here to suggest that they're doing this.

MR. SZUBIN: Well, there is the statement of the U.S. Government that we are confident that they are.

QUESTION: No, I don't --

MR. SZUBIN: And we're able to give you --

QUESTION: This is not a political statement, but you know the credibility of this government, this Administration in particular, when it comes to flat out statements on proliferation is not exactly, you know, the best in the world these days.

MS. MCNERNEY: I guess I'd go back to the point -- it was referenced specifically in UN Security Council Resolution 1803 because it was understood by members -- governments of the Security Council that IRISL is engaged in a pattern of proliferation activities. So this is not simply the United States, but it's a common understanding among those of us who obviously can't talk about our specific intelligence information.

QUESTION: Well, that's -- why now? Why not, you know, last week or three weeks ago? If this has been in the UN Security Council resolution, why was the decision made to go ahead today with this?

MR. SZUBIN: And if we had gone last week, you'd ask the same question, but--

QUESTION: Well, I mean, if it's been out there in the resolutions, which is not -- you know, didn't happen yesterday, why wait?

MR. SZUBIN: We take a tremendous amount of care and that leads to often a good amount of time to assemble evidentiary packages and vet evidentiary packages before we go out with an action like we did today. We know that the ramifications of a designation like this can be far-reaching and we don't take such actions lightly. When we are assembling evidentiary records, both classified and unclassified information, that takes time. And it means time not just to identify the activities that we've been talking about that IRISL engaged in, but the structure of IRISL's organization and, in fact, the ships that IRISL owns and maintains throughout the world.

Something that I haven't mentioned yet today, but Treasury has also made available on its website, through its specially designated nationals list, a list of 123 IRISL vessels with special identifier numbers, the flags of registry, all the information that we have, including tonnage, so as to facilitate those around the world identifying whether an IRISL ship and IRISL is involved in a given shipment. Assembling all of that information takes time, and making sure it's accurate before we put it out in the public is, of course, something we insist on.

QUESTION: I'm a little bit confused by this because it's just all coming to us. But is there anything by way of freezing assets that you can identify to us now that your action takes, and specifically as you can, what those are in the U.S. and maybe elsewhere?

MR. SZUBIN: I think your question reflects the understanding that one effect of a designation like this under E.O. 13382 is that any assets in the control of a U.S. person, and that doesn't just mean a bank in New York, it means a U.S. person overseas which could be in a branch of a U.S. company overseas, anyone who is legally a U.S. person is obligated to freeze or block any assets in their controls in which IRISL has an interest as of today's designation just recently.

That means that any of the 19 entities that we've named today, any transactions in which they have an interest, whether as the remitter or the beneficiary, those transactions need to be blocked. Given as this announcement was just made, I can't identify for you the -- whether assets have been frozen. And as a general matter, we at Treasury do not identify whether we have -- whether and how much assets, real or financial, we have frozen for a specific entity. What we do is release information in the aggregate; for example, under our WMD program, here is the amount of frozen assets in a given year. And we can get that information to you if you'd like.

QUESTION: But you can tell us surely that you know from your knowledge that there are assets in either U.S. banks here or U.S. banks abroad, private citizens acting as

brokers – something more – I mean, surely you must be able to let us know whether this should result in freezing of such assets.

MR. SZUBIN: That's something that I can't speak about publicly, to the extent I know. What's more, I can tell you from a lot of experience that we're often very surprised to see where frozen assets are turning up, because it's not just where IRISL may have a bank account. It's if somebody is wiring money to IRISL as of 1:30 today and it's going between two foreign countries but it happens to be in U.S. dollars, it happens to be transiting the U.S. financial system, even for an instant, it'll be caught in a bank's filter, most likely, and we'll receive a notification of that. Those kinds of things, we can't predict.

QUESTION: I understand, but just to follow up. And not going to beat it to death, but you must have an understanding that some IRISL assets are in U.S. banks; yes, no?

MR. SZUBIN: I'm not able to comment on that.

QUESTION: You can't even say yes, that (inaudible)?

MR. SZUBIN: That's right. I'm not able to comment on it.

QUESTION: You – I think you said that Stuart Levey was in Europe talking to allies about this. I wondered to what extent you expect them to join in on this. I notice in your release, you say that IRISL services connect Iranian exporters and importers in South America, Europe, Middle East, Asia and Africa, so some of them obviously are going to be affected by this. And I wondered to what extent they're joining in, or what can you say about that?

MR. SZUBIN: I think it's a very good question, thank you. The – I mean, one initial point I'd make, which Assistant Secretary McNerney has emphasize correctly, is that the United Nations Security Council has already highlighted the risks of doing business with IRISL. And so we know from our discussions with our colleagues in Europe and elsewhere that they're very mindful of the risk that we're highlighting today.

That said, I also know that the – our allies are considering seriously what additional steps might be appropriate and necessary with respect to making clear to Iran the costs of its self-isolating behavior. And those are discussions that are going on with Under Secretary Levey and his colleagues. As you've noted, we have identified – among the 18 affiliates of IRISL that we've identified today, several are located in Europe and elsewhere around the world. We'll see how that's handled by their respective governments, but at the least, we expect that there will be a great amount of attention paid to the businesses that we have identified today and their activities.

MS. MCNERNEY: And I might add to that, in the actions taken earlier – or last month by the European Union, one of those was to increase requirements on IRISL ships acting in Europe. And so there is additional information required of all shipments, both pre-arrival and pre-departure information, and specifics on goods. As well, obviously, everyone is concerned about the insurance of these ships, and we've been in discussions about what is the nature of that insurance and what are the risks associated with IRISL vessels.

MR. SZUBIN: And I think the Europeans have demonstrated a real – real care with respect to these types of proliferation transactions, including with their financial actions, when the EU imposed sanctions against Bank Melli. It's a very significant step. And that's something that the EU did on its own action, not pursuant to a UN Security Council resolution, as a demonstration, I think, not only of its care, but its resolve.

QUESTION: So do you want them to join in with you explicitly on this?

MR. SZUBIN: I don't think we'd say that there's any one necessary form that we would expect all governments to take with respect to the risks posed by an IRISL. There are a number of ways that countries could take the UN Security Council resolution to heart, and that could include increased monitoring, it could include increased interdiction, it could include audits of IRISL offices and IRISL affiliates to make sure that they're checking their cargos and representing accurately what it is they're shipping. All of those things, I think, would be welcomed by our government and would be consistent with the call of Resolution 1803.

MR. DUGUID: Okay, going back to Charley.

QUESTION: Charley Keyes, CNN. Please, is that 123 – is that the full IRISL fleet?

MR. SZUBIN: That is the – that is the full list of vessels that we've been able to identify with certainty and with the types of identifiers -- I was mentioning earlier the tonnage that – the unique identifying number that belongs to a ship even if it changes its name, and that's a key point when it comes to IRISL. So that's the list we've been able to put out and assemble as of today. In two weeks, if we learn about additional identities of vessels or if we see IRISL changing the names of its vessels, we're going to be updating that list to get better information out to the public. But that's what we have as of today.

QUESTION: And I just wondered how that compared to other Iranian shipping lines. And finally, what do you think the impact will be on the Iranian people of today's designation of the shipping line?

MR. SZUBIN: My understanding is IRISL is one of the largest, if not the largest of Iran's shipping lines. And so it's a very significant action that we're taking today. With respect to the Iranian people, you know, the types of cargo shipments that we're most concerned about when we see – when we're taking an action like this involve shipments to and from Iran's defense industry.

And we're not talking about, in any way, trying to interfere with the Iranian people's ability to obtain necessary imports. In fact, for my office, the Office of Foreign Assets Control, our sanctions have been devised to allow for people to send person-to-person remittances, for example, to support their families back home. We allow for the export of food stops and medicine and medical devices. As you know, all of that is aimed at putting pressure on those who we see making dangerous decisions in the regime, and allowing for support to flow to the Iranian people, whom the U.S., of course, wants to succeed and to prosper.

So I think that gives you the parameters for our decision. I can't say whether there might be unintended consequences given how large a shipping line this is, but if that is the case, I really think the blame lies squarely on the shoulders of the Iranian Government and how it's used IRISL to both handle proliferation transactions and mask that from the world.

MR. DUGUID: Okay. Thank you. Up here and then --

QUESTION: This is for Jeffrey Feltman. My name is Viola Gienger from Bloomberg News. You mentioned that given lack of a response to the incentives package, that the P-5+1 have agreed – have come to agreement that they have no choice to – but to take further measures and that you're already talking to your partners about that. Does that include Russia? And how – how has their response been now compared to prior to the Georgian conflict?

AMBASSADOR FELTMAN: You know, as Secretary Rice has said, it's in Russia's interest to keep working with us vis-à-vis Iran. It's in Russia's interest to stay in – to stay within the P-5+1. It's in – it's in all of our interests that the P-5+1 stay together as a viable diplomatic approach.

QUESTION: I understand what she's been saying. What have they been doing?

AMBASSADOR FELTMAN: The – we continue to have contacts with the Russians on the P-5+1 issues. We continue to work with the – with all of our P-5+1 partners on

the dual-track strategy that I – that I talked about. This is – you know, this – we remain very engaged with all the P-5+1 parties, including Russia.

QUESTION: Right. But what have they been doing in response?

MS. MCNERNEY: Well, I think maybe one – one answer to that is the political directors agreed in August that in light of Iran's failure to provide a clear, positive response to our proposal, that we would pursue additional sanctions measures. We've seen no indication that Russia has walked away from that agreement, and certainly, we will be working with the P-5+1 to look at what those additional measures might be.

QUESTION: Thank you.

QUESTION: I have a question, Ambassador Feltman. You said that you've seen the sanctions are having an impact. What figures can you give us or what further details can you give us that would – that would back that statement up? And also, are you still seeing this debate internally inside Iran about the wisdom of their policy, their nuclear policy? Do you think that these sanctions are continuing to spark debate about whether or not their policy is working?

AMBASSADOR FELTMAN: We believe that they are sparking debate. We believe they are having an impact. Much of what we know is based on intelligence that we can't really discuss in an open briefing. But much of it we know is also unclassified, it's open sources, things that you all report to us. You know, everything from oil companies to, you know, scaling back deals to develop gas fields, for example, to banks announcing that they're – that they are closing down operations to governments saying they'll no longer extend meeting their long-term export credits. There's a whole host of elements that lead to our analysis that, yes, in fact, this is having an impact. And we do think it's having a debate within Iran.

We're trying to find ways, and today's designation is one, to sharpen that debate, to put the focus on – so people see the costs of the continual defiance, while we also try to show the benefits to compliance with the international obligations.

QUESTION: And just to follow up, as far as reaching out to the Iranian people, are you any closer to the idea -- the interests section idea had been flouted, are you any closer to making -- is the Administration any closer to making a decision on that?

AMBASSADOR FELTMAN: You know, there's a continued discussion -- we have a continuing discussion about how best to reach out to the Iranian people, how best to show the Iranian people that the problem -- that we don't have any problem with them, that the problem is with their government's policies. And we're constantly looking at new ways to do that. On the interests section itself, however, I would, you know, prefer not to comment because this remains an internal -- this remains an internal issue that's among many things that we're discussing vis-à-vis Iran today.

QUESTION: Can I ask a technical question just --

MR. SZUBIN: Okay.

QUESTION: Just about the ships and Charlie's question. The 123, do you know if any of those are actually Iranian-flagged or are most --

MR. SZUBIN: Yes, some of them are and some of them are flagged under Malta's flag. I think we identify the flag of convenience under each ship.

QUESTION: But you're not using the flag of convenience as evidence of deception are you?

MR. SZUBIN: No.

MS. MCNERNEY: That's standard practice.

MR. SZUBIN: No, using a flag of convenience is standard maritime industry.

QUESTION: Exactly, that's my point. I don't want -- you say it's a pattern of deception and I don't want you to be saying that flags -- using flags of convenience is deception, because it's not.

MR. SZUBIN: Well, we -- we don't.

QUESTION: The other thing I just wanted to check on was that -- the one instance where you -- that you do give, it was about missile -- it was for the missile program. And in the statement, the quote is attributed to Stuart Levey in the second paragraph here -- it says nuclear and missile programs.

Can you say that both programs, the nuclear and the missile program, have been -- that IRISL has been doing this for both programs, or can you only say here that it's the missile program?

MR. SZUBIN: The quote from Under Secretary Levey is carefully worded. It says, "IRISL's actions are part of a broader pattern of deception and fabrication that Iran uses to advance its nuclear and missile programs."

It does not identify publicly, and we have not in the statement, identified IRISL as being identified with nuclear programs and nuclear (inaudible).

QUESTION: Okay. Well, that's why I asked, because --

MR. SZUBIN: I just wanted to offer, if I could --

QUESTION: Please.

MR. SZUBIN: -- one additional thought on the debate that's going on within Iran that you asked about. Oftentimes, when we detect those debates going on, they're debates about economic policies and the direction in which the Iranian regime is leading the Iranian people. And I think that's a key point and a key backdrop for all of these sanctions efforts, is that the economic problems that are plaguing Iran right now have been principally generated by economic mismanagement by the regime. And I believe the Iranian people are beginning to take note of that in a very critical way. And I'm sure you have seen the stories coming out of Iran. There is -- there are certain sound economic policies which the regime is ignoring, and they can fire or dismiss any number of central bank governors and it's not going to fix that.

The sanctions that the world, the EU, the U.S. have imposed contribute to that debate in that they give the Iranian people yet another reason to question the direction that their regime is taking them. But when we see that debate going on, I think that's exactly what we want to see happening. That's the debate we want to see going on within different circles of Iran and we see it as very positive.

MR. DUGUID: We have time for one more question.

QUESTION: Kim Ghattas from the BBC. Just to pick up on that point about the debate, it's an internal debate that the Iranian people are having, but are the sanctions painful enough for the regime yet for them to start debating --

QUESTION: And that was sort of my question, too. Thank you.

QUESTION: Yeah, their policy. And then for Ambassador Feltman, you talked about the next steps that you and your allies are considering in terms of how to deal with Iran. If you could detail those a little bit more and tell us what you're thinking of in the next few months?

MR. SZUBIN: I mean, the first question that you're asking is obviously the question, with a capital Q. The regime, though, is not a monolith, as is true with any government. There are different pockets and different centers of influence. And they look to different constituencies in the Iranian people, whether that's the bazaar merchant class, whether it's the mullahs, whether it's the base of a given political party. And we certainly do see debates and dissent among those circles with respect to the economic and political policies that we've been talking about today.

The question of whether the regime will change course in time is, of course, yet unanswerable. I very much hope that they will. And that choice is the one that Ambassador Feltman illustrated as saying -- the decision has been put to them.

QUESTION: Is it possible to quantify how much it is costing them?

MR. SZUBIN: It's extremely difficult and -- to put a number on anything like this. And I often find when we can find quantifiable metrics, as much as we share your interest in finding them, they're often misleading. Because the question ultimately comes down to one of behavioral change. And what is going to lead to a shift in the behavioral calculus of the Iranian regime or put enough pressure on the regime due to domestic politics that it will have to think about a change in course, that's impossible to quantify. And it will be a host of factors. It won't be sanctions alone, whether unilateral or multilateral. Sanctions can provide a thumb, sometimes a very powerful thumb on the scale.

QUESTION: Thank you.

AMBASSADOR FELTMAN: One answer --

QUESTION: (Inaudible).

AMBASSADOR FELTMAN: Can I go back -- let me go back a couple months when the P-5+1 put together the P-5+1 incentives package that was presented to the Iranians in June and then, of course, the follow-up meetings in July.

QUESTION: Was that the enhanced -- so-called --

AMBASSADOR FELTMAN: The enhanced package -- the enhanced package, you know, earlier this summer. You know, it was certainly our hope, and hope is a shaky foundation on which to build a policy what -- what is often -- as people often say. It was certainly one's hope that the Iranians -- that the Iranian regime would take this incentives package seriously. And one reason why -- and I talked with many of you about this -- one reason why Under Secretary Burns, in fact, went to Geneva in July was to emphasize how serious a package this was, how serious an approach this was. But it was never certain that the Iranians were going to -- the Iranian regime would accept this. You know, from the beginning, we knew that this was a serious package. We wanted the Iranians to accept it. But the P-5+1 was under no illusion that this was going to be an easy sell.

So from the beginning, the P-5+1 agreed to this dual-strategy approach. It's not simply a U.S. approach. It's a P-5+1 international approach toward Iran. So now, the P-5+1 incentives package, as I said, is still on the table. There -- the Iranians could still accept it. We would like them very much to accept this. But in the P-5+1 contexts that has taken place over the past couple months, there's -- you know, there's always reference to the fact that so far, the Iranians have not given a clear answer. So far, the Iranians have not given a positive answer. Javier Solana's been fairly public about the disappointment in what the Iraqis have communicated so far regarding --

QUESTION: The Iranians.

AMBASSADOR FELTMAN: The Iranians, I'm sorry -- have communicated so far regarding this package. There are several things that are happening in the next few weeks that will give us time to work with our partners in deciding what our -- exactly what the next steps forward, because we all agree we have to keep the dual-strategy approach alive, which means continuing the sanctions regime, continuing to find ways to show the cost to Iran of defying the international community.

The IAEA will be having a Board of Governors meeting in September. People will be gathering in New York for the UN General Assembly. There will be a variety of contacts among P-5+1 partners. I don't want to predict right now how these are going to come out. But I can assure you that the international community remains engaged on this question.

MR. DUGUID: Thank you very much, ladies and gentlemen.
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