

FOUNDATION FOR DEFENSE OF DEMOCRACIES

WASHINGTON FORUM 2010: COUNTERING THE IRANIAN THREAT SANCTIONS: WHAT'S NEXT? IS ENFORCEMENT ENOUGH?

**WELCOME:
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FDD BOARD OF DIRECTORS**

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KENNETH SCHWARTZ: For those of you who have just joined us, we welcome you to FDD's Washington Forum. My name is Ken Schwartz and I'm a member of the board of

directors as well as a member of the Washington Forum Host Committee. I'm honored and grateful to be involved with FDD.

I believe – we believe – that we are facing the defining conflict of our times. It is a conflict of unprecedented complexity, uniqueness and subtlety. Our task will be more than difficult enough if we were unified in clear vision and purpose and the same for our leadership. Neither are the case.

FDD addresses this conflict on a multitude of levels with impressive intelligence, dedication and effectiveness. For those of you who are not yet supporters of FDD, please learn about our many initiatives and join us in support.

Like many of you, I've been following Iran sanctions legislation for many years. I was heartened by Congress' passage of the toughest sanctions legislation to date. But five months after the passage of these sanctions, Iran continues its pursuit of nuclear weapons, support for terrorism and brutal oppression of its people.

What are the next steps? How can we ensure effective implementation of U.S. policy? To address these and other questions, we have an extraordinary group of speakers. Each of them has contributed immensely to the sanctions policy issue. I look forward to hearing from the following distinguished group of experts about the next steps for pressuring Iran.

Briefly, they are Tom Delare. He's the director of terrorism, finance and sanctions policy at the Department of State. My friend, Mark Dubowitz, is executive director of FDD and director of its energy – Iran Energy Project and a fine example of Canadian exceptionalism. (Laughter.)

Daniel Glaser is the deputy assistant secretary for terrorism financing and financial crimes at the Department of Treasury. Ken Katzman is a foremost expert on Iran's Revolutionary Guard Corps and sanctions policy at Congress' think tank, the Congressional Research Service.

Don MacDonald is the foreign policy legislative advisor for Congressman Brad Sherman and has a profound understanding of the legislative nuances, processes and details. And Orde Kittrie is a nuclear proliferation expert and former principle drafter of the U.N. Security Council resolutions imposing sanctions on terrorism supporting and rogue regimes and senior fellow at FDD.

I now invite Orde, who will be moderating this, to kick off the session. Thank you. (Applause.)

ORDE KITTRIE: Thank you, Ken. Hello, everybody. I hope those of you in the audience appreciate what a star-studded cast we have here for this panel. Tom Delare is the key office director at the State Department for Iran sanctions imposition. When and if sanctions are going to be imposed on more foreign companies, Tom and his office will take the lead.

Mark Dubowitz, who you know well, is driving the conversation on Iran energy sanctions. A senior foreign official told me earlier this week that, quote, "FDD is by far the best source for which foreign energy companies are still doing business with Iran."

Danny Glaser, along with Stuart Levey, leads Treasury's Iran sanctions efforts under the Obama administration just as they did under the Bush administration. If you've read The New York Times' coverage of the WikiLeaks cables regarding Iran policy, you've seen just how pivotal Danny's role has been – (laughter) – including early in the Obama administration.

Ken Katzman is an extraordinarily influential analyst for CRS. His regularly updated 60-page report on Iran sanctions is the best unclassified overview of the entire Iran sanctions picture. I know it is read very closely by congressional staff, by executive branch staff and perhaps especially by foreign diplomats eager to see whether their companies are on Ken's list of companies the administration ought to be sanctioning.

Finally, last but not least, Don MacDonald is the drafter of the leading bill delineating what the next round of Iran sanctions might look like. I've worked with all of the leading congressional staff experts on Iran sanctions and I can say with confidence there is nobody more knowledgeable or better respected by both sides of the aisle on this issue than Don MacDonald.

Okay, since the topic of this panel is sanctions, what's next, I'm going to start us off with a brief overview of where sanctions and Iran's nuclear program stand now. Where do Iran sanctions stand from a factual perspective? State Department Under Secretary Bill Burns gave a good summary in his testimony before Congress on December 1st, last week.

Burns noted that the Obama administration has used its new authorities under the comprehensive Iran sanctions act, which was signed into law on July 1st, to persuade many major European and Asian firms, including Shell, Statoil, ENI, Total and Impex to terminate existing sanctionable activities in Iran and to provide clear assurances that they would not undertake any such activities in the future.

Burns said that according to reliable estimates, Iran may already be losing as much as 50 (billion dollars) to \$60 billion overall in potential energy investments along with the critical technology and know-how that comes with them. Burns also noted that faced with new international concerns in the choice between doing business with Iran and doing business with America, more and more foreign companies are pulling out of the Iranian market.

Major energy traders like Lukoil, Reliance, Vitol, Glencore, IPG, Tüpra and Trafigura have all stopped sales of refined petroleum products to Iran. As Burns noted, until last July, according to open sources, Iran imported roughly 130,000 barrels per day of refined petroleum products. In October, that figure had dropped by 85 percent. Iran's imports of refined petroleum had, in October, dropped by 85 percent to 19,000 barrels per day.

Meanwhile, major firms like Lloyd's have stopped insuring Iranian shipping, Daimler, Toyota, Kia have stopped exporting cars to Iran even though such exports are prohibited by nobody's sanctions that I'm aware of. Major banks have pulled out.

In that same hearing, Under Secretary of the Treasury Levey noted that, and I quote, "The cumulative effect of sanctions has been to increasingly isolate Iran from the international financial system. Iran is effectively unable to access financial services from reputable banks. And Iran is finding it increasingly difficult to conduct major transactions in either dollars or euros.

Iran's reduced access to the international financial system has also made it very difficult for Iran to make payments on loans and maintain insurance coverage on its ships and is having an impact on the Iranian shipping lines' ability to continue operations. It has even led to the seizure of some Iranian shipping lines' ships by Iran's creditors."

So the bottom line is that sanctions are clearly having a significant and increasing impact on Iran's economy. So in that sense, they're a success. But the primary goal of the sanction is of course not harming Iran's economy. The primary goal is to change the Iranian leadership's mind about proceeding with their nuclear program. The sanctions, thus far, are arguably a failure in that regard.

Where does Iran's nuclear program stand now from a factual perspective after many months of sanctions? The most recent report of the International Atomic Energy Agency, dated November 23rd, stated that contrary to the relevant U.N. Security Council resolutions, Iran continues its enrichment and heavy-water related activities and has failed to cooperate with the IAEA inquiries, including, quote, "about the possible existence in Iran of activities related to the development of a nuclear payload for a missile."

All right. That's an IAEA concern that has yet to be addressed by Iran. Iran's total low-enriched uranium production, as of October 31st, 2010, is 3,183 kilograms of low-enriched uranium. Now, what does that mean? According to David Albright, a respected nuclear expert, 3,000 kilograms – that 3,000 kilograms of LEU is sufficient, with further enrichment, to produce the highly enriched uranium needed for as many as three functioning warheads. That compares with the Iranians having just one bomb's worth of LEU in January 2009.

Where do negotiations stand? Negotiations that we saw in the press convened in Geneva on December 6th and 7th and are scheduled to reconvene in late January. As a Washington Post editorial, the voice of a relatively moderate Post put it this morning, quote, "The talks with Iran in Geneva this week appear to have produced little."

Okay, that's my scene setter. The topic of our panel is Sanctions: What's Next? Is Enforcement Enough? I've been asked to adhere to the following format: Rather than formal remarks by each of our panelists, we'll now dive into Q&A led by me. After about 45 minutes of Q&A, I'll open the conversation to questions from the floor. It's a little different, but hopefully, we'll make things even more interesting than usual.

So I'm going to pose questions and ask our panelists to give relatively brief responses. I'll try to first pose some big-picture questions and then get more into the details. Why don't we start in answering this question? We'll start on this side with Ken Katzman.

The question is: Some experts believe that more vigorous enforcement of the current sanctions is likely to, within the next several months, begin to change the Iranian government's assessment of the cost versus benefits of continuing to advance its nuclear program. Others are skeptical, believing that time's a-wasting and we ought to immediately shift to more coercive sanctions. What are your thoughts on the prospect of the current sanctions, vigorously enforced, persuading the Iranian government to halt its nuclear program? Ken?

KEN KATZMAN: Thank you, FDD, for inviting me. First, let me say I'm not speaking for my institution. Order, we were on a panel a couple days ago – last weekend – I described the U.S. international sanctions program as a noose around Iran's neck.

And then as I was watching my favorite reality TV show the night after that, I said, why did I describe it as a noose around Iran's neck? It's not a noose around Iran's neck. The better analogy I like is a spider web where the more Iran struggles to get out of the web, the deeper it gets in.

As Iran tries to evade the sanctions, more information comes out about how much money it has, where the money is, who's moving the money, what countries are helping Iran move the money, where are the assets, et cetera. And so I believe Iran is caught in a spider web of international sanctions.

I do believe these sanctions are being increasingly effective and I do not expect Iran to wiggle out anytime soon. And I believe ultimately, these will force a different calculation on the part of the government.

MR. KITTRIE: Okay. Optimistic view from Ken. Danny, your view, are the current sanctions potentially enough to stop Iran's nuclear program?

DANIEL GLASER: Well, thanks. Thanks for the question. Also, let me just take the opportunity to thank you for inviting me. I'm very happy to be here, very honored to be on this panel. You know, I think – I think it's important not to think about this particular question in a binary way. Are these sanctions enough versus are we going to need more in the future?

The fact of the matter is, is to make any sanctions regime effective, it needs to be – the regime itself needs to be dynamic. The regime itself needs to – needs to be adaptive. The target of the sanctions regime, in this case, Iran is not going to be – is not going to be static. It's going to be dynamic, so the sanctions regime needs to be dynamic.

That means we continue to need to take action under the sanctions regime. Whether you want to call that – whether you want to call that new measures or whether you want to call that effective implementation of the current regime, I think at a certain point, becomes – becomes almost a question of what words you want to use.

But we need to continue to take measures to apply pressure on Iran to disrupt the types of activities that it's doing and to present stark choices for it. And we can do that under the current sanctions regime and as we move forward, we're going to continue to do that.

MR. KITTRIE: Thanks. Tom?

TOM DELARE: It's on already.

MR. : Okay.

MR. DELARE: I think we have to first bear in the mind that sanctions have had a very brief shelf life so far. They were enacted on July the 1st. We began – we, Treasury and State, began to implement them very shortly thereafter, but it's only now that we are seeing the first impact of the sanction set that is in law at the moment.

As a matter of fact, I think as we contemplate new actions, it might in fact tighten the spider web – or tighten the noose, whichever you'd prefer – we should be very much aware of the fact that you know, a too rapid response to a perception of failure is not a good thing at the moment either.

Give it some time. See what transpires. See what the impact is because if you rush into something new that might feel good, you run the risk of enacting things that may not be as effective as what we have in the books now and are implementing, first. And secondly, we run the risk of eroding the very strong multinational consensus that we have been able to develop so that we have allies supporting us, allies collaborating with us and that's a very important part of the current effort.

MR. KITTRIE: Okay. Now, we'll turn to Don MacDonald, who's in fact the author of a bill that would significantly strengthen Iran sanctions. Don, what do you think? Are current sanctions enough?

DON MACDONALD: Yeah, I think over time, with very vigorous enforcement, the current – the current statutes and regulations on the books, both in the United States, Europe, Japan, other allies, the U.N., they could be enough to make the Iranian government ultimately have a change of policy.

I think we would be far better served, however, to at least begin the process of looking what we'll need to enact if we need to enact additional measures. I think we need to show that to the Iranian government that look, if you weather this storm, there's another storm coming and if you weather that, another storm will hit after that. And that's the rationale behind the legislation that Congressman Sherman has introduced along with very similar legislation under the same, Senators Casey and Brown.

MARK DUBOWITZ: So I guess I have the advantage. Is the microphone on? I have the advantage of being able to make comments without the restrictions imposed on you as a U.S. government official. So that gives me a fair amount of flexibility.

And the first thing I want to do is I want to congratulate the folks at this table because Iran is such a serious concern that it invokes a lot of passion and emotion. And there's a lot of sense that people aren't doing enough. Well, let me tell you that the people at this table are deeply committed, truly have fire in their belly about getting the job done.

And in a town where so many of the issues are politicized and partisan, there's been overwhelming bipartisan support for the Iran sanctions legislation and a deep commitment by these folks in the administration to get the job done. So I want to congratulate them first and to thank them.

I think the second issue is – yeah – I think it's deeply, deeply, deeply important to understand that we do not have much time. I don't think we have a lot of time to see whether these sanctions are going to work. We need to ratchet up the pressure. I think Orde has articulated the nature and gravity of the Iranian nuclear threat and how quickly this program's progressing.

So I would recommend that we begin to look at, really, the lifeline of the Iranian economy. At the end of the day, gasoline, energy investment, natural gas technologies, all very important. But the ability of Iran to continue to export its oil is the critical lifeblood of this regime. It's what sustains this regime. It's what provides this regime with enormous wealth.

I think we need to start looking at some clever measures to make it more difficult for foreign companies and countries to continue purchasing Iranian oil and to do that in a way that's not necessarily direct, but to do it indirectly. Let's encourage a trend that we're already seeing and what we're seeing from the Chinese, the Japanese, the South Koreans and others is they're beginning to move away from Iran as a primary supplier of oil because of the hassle factor.

And the hassle factor means that it's becoming more difficult to settle financial transactions, to actually pay for the oil thanks to Congressman Sherman and other members of Congress, it may be more difficult to sign long-term purchase agreements, to provide large up-front cash payments.

And I'll make the final point before turning this over. Because of the good work of the U.S. Treasury Department in designating the IRGC and IRGC front companies, we should encourage that trend. We should make it clear to the international energy sector that if you are buying oil from Iran, you are buying it from the IRGC and that's bad for business; it's bad for reputation; and it may have serious legal and political consequences. And I think we need to encourage that trend.

MR. KITTRIE: Thanks, Mark. We've heard some preliminary assessments of whether sanctions might have the desired impact on Iranian decision-making. We haven't really talked yet about how those sanctions might have that impact. Would it have the impact by way of

changing the minds of the ruling elite themselves? Would it have an impact by strengthening the Green Movement? By causing the bazaaris to rise up?

I always think to myself, you know, Pakistani Prime Minister Bhutto, a more moderate fellow than Ayatollah Khomeini and President Ahmadinejad once famously announced that, quote, "Pakistani will eat grass or leaves, even go hungry if necessary, to acquire a nuclear bomb." Is it possible that that is the attitude of Ahmadinejad and Khomeini?

And if so, how can we have an impact on their decision-making? Is it through the Green Movement? Is it through the bazaaris? Is it through simply pointing them to a choice between their nuclear program and their continued rule over the Iranian people, which they presumably value even more than their nuclear program? With that, House sanctions might have the requisite impact. In light of the Iranian domestic polity, we turn to Ken Katzman.

MR. KATZMAN: Thank you very much. Uri Lubrani this morning said, Ahmadinejad is not a clown. He has a strategic vision, a plan, et cetera. I really disagree with that. I personally think he is a clown.

He had a very serious opposition movement last year, which in December – about a year ago – caused the police actually to surrender at times. The Green Movement did not follow up the success. They are now doing the political work that they probably should've done earlier. But yes, the sanctions work by affecting the population.

Ahmadinejad is isolated. Corporations, as we've said, are leaving in droves. I've had, you know, obviously, corporations do not want to be mentioned in my reports, for obvious reasons, as doing business with Iran. You know, everything, I think, is really almost collapsing on Iran's head at this point.

And when the regime feels its survival is in doubt, they will reach, I believe, a new calculation on the nuclear program. We are not at that point. We could be at that point tomorrow, 365 days from now, two years from now – I cannot set a deadline. But there is increasing pressure on the regime and it will, I believe, at some point force a different calculation.

MR. KITTRIE: Danny?

MR. GLASER: You know, I think Ken's right. The purpose of the sanctions regime is to present stark choices to the Iranian leadership. I'm the wrong person to ask. And I'm sure there would be a diversity of views as to what the Iranian leadership is going to do with respect to those stark choices. But the goal is to present these choices and make them as stark as possible, to make them increasingly dire.

And that's what you see that we've done over the course of the years as the sanctions regime has gotten increasingly strong and as it's gotten increasingly more and more international buy-in. And it's succeeded, as Ken points out, in really isolating Iran both politically and financially from the rest of the world.

At the end of the day, this is going to be a choice for the Iranian leadership to make. But they're not going to make that choice unless it's quite dire, unless it's quite stark. And that's what we're trying to accomplish.

MR. KITTRIE: Thanks. Tom?

MR. DELARE: I work in the economic side at the State Department rather than the political side, but I will venture a few thoughts here, one of which pertains to something I said in my last intervention, which is the maintenance of a multilateral coalition opposed to Iran.

I believe the Iranian government is unable to hide from its own people the fact that, basically, the global community is arrayed against it, with very, very few and bizarre exceptions. That's something that's very important as they – as the Iranian people have the lesson driven home to them that there is an unacceptability to the regime which rules over them. That's one reason why we think it's so very important that that coalition be maintained.

That's brought home to us where I work almost every day, because we ferret out a lot of information on the Internet and the commercial press, from our colleagues in the NGO world and everywhere else about, for example, purported contracts that the Iranians announced having been signed with this government or with that firm or with this, you know, engineering company, whatever. And I can assure you that the vast majority of that stuff ends up being bogus or it represents, you know, a cup of coffee over in a tea shop somewhere in Kuwait or something like this, as opposed to a real thing.

So you know, I think the Iranian government understands that they're playing this game in which they are trying to show we're acceptable, we have the ability to survive this. And it's part of what we do to show that, in fact, that's not true. You're losing your friends one by one – actually more than that, by droves.

And as people depart, the lifelines are basically not existing anymore. So that's an important thing. And that's one thing we're doing to, I think, affect the political calculus of the decision-makers and to affect the thinking of the ordinary population.

MR. KITTRIE: Don?

MR. MACDONALD: I think you have to weigh sanctions along with some difficult circumstances that I think the Iranians are going to face outside of the economic sphere with respect to their nuclear-weapons program.

Should the Iranians make the decision that they're going to go and actually develop nuclear weapons, they're going to have to convert a nominally civilian facility into military use. And presumably, that would be noticed by various intelligence agencies and perhaps the IAEA itself. And if anything would bring about the use of military force, presumably the decision to turn the Natanz facility into a military facility – a facility that's producing HEU – you know, that would be the thing that brings about the use of force.

Their other option is to bring to maturity a covert facility. So far, the couple of times they've done this – Natanz is an example, actually – they've been caught before they got anywhere near the point of which they were creating enough HEU for a number of weapons.

Their other option is to somehow use a research reactor at Arak and figure out how to reprocess plutonium and somehow not get caught doing that. They face a pretty significant hurdle. And I don't mean to downplay the alacrity with which we have to attack this problem and suggest that we don't need to ratchet up sanctions. I've said we do need to ratchet up sanctions.

But as that economic pressure increases and these problems continue that Iran is having with their nuclear weapons program and they realize that at some point they face a fairly diminished chance of success in actually developing nuclear weapons, then yeah, I think we stand a pretty good chance of succeeding.

MR. KITTRIE: Mark?

MR. DUBOWITZ: Well, I'm going to take the liberty of being a bit provocative and suggest to you that, you know, despite the fact that I've personally been working obsessively on the issue of sanctions and I have a lot emotionally and professionally invested in it, I actually am deeply skeptical that they're going to work.

I think sanctions – and I don't think anyone at this table believes, to use an overwrought expression that I've made overwrought – I don't believe sanctions will be a silver bullet. And I think all of us acknowledge that perhaps the sanctions will be silver shrapnel. And shrapnel can wound this regime. The question is whether it'll be a mortal wound or a flesh wound. And that's the real debate.

I think it's likely to inflict serious on the regime. It's always good to do damage to your enemies, even if it's not going to achieve the eventual goal of stopping the nuclear program. I think others on the table – on the panel, including Orde, who've looked at the sanctions literature will tell you as well that sanctions have never worked in isolation.

When they've worked they've always been backed up by a array of other policy alternatives, including the credible threat of military force – I mean, when they've worked against Saddam. After the first Gulf War, there was a serious threat of military force from the U.S. military. When they worked against Milosevic in Serbia, which they did – they worked. They undermined the Milosevic regime and inflicted serious damage. But it did take airstrikes from NATO to do the job.

So it's going to work in combination with a number of other policy options. And whether it be economic pressure, whether it be, you know, cyber warfare like Stuxnet, whether it would be introducing faulty equipment into the procurement supply chain – sanctions are not going to work in isolation.

They're going to work in combination with other measures. And I think, once again, very important to do serious damage to your enemies. And I think we all agree that sanctions are starting to do that, at least economically.

MR. KITTRIE: Thanks, Mark. I'm always tempted now when I hear about something as provocative as the use of force to pose a question on that to our panelists. But I know that a number of our panelists will probably be very reluctant to address that topic, which is sort of outside of their purviews.

So I want – I want to focus the discussion on a little bit different question, and that is: Let's assume that there is a need for significant toughening of Iran's sanctions. Let's assume that the conclusion is arrived at that vigorous enforcement of the current framework is simply insufficient and that a stronger framework is needed.

What might that framework look like? Could we get such a framework out of the U.N. Security Council within a reasonable time period? And if not, what should a U.S. round of new, unilateral, stricter sanctions look like? We'll start with Don on this issue because he's already drafted a relatively comprehensive next set of Iran's sanctions.

So Don, if you could please take a moment to describe your bill, and then we'll turn to comments from the others. And we're not going to insist that the others give their views of Don's bill, as some of them might be willing to, others not. You know, obviously, views on a congressional bill is something which is decided through an interagency process.

But, you know, if I could ask the others to comment on what, eventually, a stronger round of sanctions might look like. And of course, the elephant in the room on that is the idea of going after Iran's crude oil sales to the rest of the world, as Don – as you'll hear, Don's bill goes after a little bit.

There's talk on the Hill of bills that go after Iran's crude oil sales to the rest of the world much more frontally. And perhaps that's something – the plusses and minus of it, at least, can be commented on by our panelists. But for this one we'll start with Don and then turn to Mark and then go Tom, Danny and Ken. Don?

MR. MACDONALD: Thanks, Orde. I'll try to give you, I think, the top five to six provisions – seven provisions, maybe – of the bill. There are, I think, I don't know, probably 12, 15 different provisions I could talk about. I won't bore you with some of the details of them.

But Deputy Assistant Secretary Glaser just mentioned a dynamic or dynamism in the sanctions regime that we currently have. I think what he was referring to is the potential for follow-on designations of entities related to the IRGC and other bad-acting Iranian entities. And he can correct me if I'm wrong, but I think currently there are about 50 or so IRGC front companies, affiliates, agents, et cetera, that have been designated for their relationship with the IRGC.

That number, hopefully, will go up exponentially. And there are probably hundreds of entities that, if you took the time to really pursue them, you would make the determination that, in fact, they are owned or controlled by the IRGC. And that would have a huge impact if those entities were designated. And the legislation has a set of provisions that attempt to make that designation process faster, easier, hopefully less susceptible to court challenge.

And finally, it would also have a secondary effect. The July 1 statute basically says, if you are a financial-services institution – financial-services company and you do certain business with an IRGC-related entity and some other designated bad actors, you could have your business in the United States severely curtailed.

The Sherman bill would apply that to a commercial relationship as well. If you sell them anything, if you provide them with any type of material support, you would similarly have the – your ability to do business in the United States severely curtailed. There have been rumors that Iran may try to float bonds, including bonds that are specifically for the development of the energy sector.

They want to raise some cash. To buy goods, services and technology they need to develop an oil field. The Sherman bill would make subscription to an Iranian sovereign bond issue a sanctionable event, just like the events that are sanctionable currently under Section 5 of the Iran Sanctions Act, are in fact sanctionable.

Getting to oil sales – we should encourage anybody who's buying Iranian oil to do so basically as close to cash on the bulkhead as you can buy oil so that there is no long-term contracts, there are no prepayments, there is no arrangements that provide an indirect bailout to the Iranians.

So you want to prevent prepayment, long-term contracts, those type of arrangements and make them also sanctionable under the Iran Sanctions Act so that when somebody does buy Iranian oil, they are buying it, like I said, as close to on the cash basis as you can possibly do those type of transactions.

One of my colleagues is in the audience who actually drafted the provision, I think, but the CISADA added a novel provision to the Iran Sanctions Act which makes companies certify, before they get a government contract, that they are conducting no activity that would trigger sanctions under the act.

The Sherman bill would broaden this out to basically include any engagement with the U.S. government, grants, contracting obviously, Ex-Im Bank financing, Overseas Private Investment Corporation financing, a whole host of loans, loan guarantees, the whole gambit of U.S. government assistance that could be given to a business or individual.

And this would include any company under common ownership or control so that the corporate family is affected if they are doing business in Iran that would trigger sanctions under Section 5 of the Iran Sanctions Act. I think I'm going to stop there because I've used up enough time. I can provide anybody who wants with a summary of some of the other provisions, but I think those are the main points I want to make.

MR. KITTRIE: Thanks. And now, for either direct comments on Don's bill or sort of assessment of what the next round of sanctions should look like and what the prospects are at the U.N. Security Council and what needs to be done by U.S. legislation, I turn to Mark Dubowitz.

MR. DUBOWITZ: Thanks, Orde. Certainly, Don's bill – Congressman Sherman's bill is an excellent bill because it starts to get at ways in which we can encourage a trend we're already seeing in the market. What we're seeing today, for example, from China, of the top 14 suppliers of oil to China, China has increased its purchases from 13 of those countries by significant percentages. The only country that China is buying less oil from is Iran and I believe between January and June of this year, it bought approximately 40 to 50 percent less oil from Iran. Now, why is that happening? I think if you're a Chinese decision-maker, you are going to diversify your risks. And if you care about energy security, you don't want to be too dependent on a country that is so politically volatile and that is subject to potential sanctions. So let's encourage that trend. Let's do what Congressman Sherman's bill is starting to do, which is make it more difficult – make it more of a hassle to buy Iranian oil because you can't put large cash payments up front. You can't sign long-term supply agreements. You've got to buy things on the spot market. Certainly, by designating more IRGC entities, I mean I think this something where the U.S. Treasury Department has done a great job and can do a better job. I think by going after more IRGC entities within the Iranian energy sector, you send shockwaves through the energy sector. You tell energy companies that if you're doing business in Iran, you're doing business with the IRGC. And if you're doing business with sanctioned entities, that can have enormous consequences. So mapping the oil-supply chain, identifying exactly which entities are actually involved in exporting Iranian crude, identifying those entities, sanctioning those entities and reminding the energy companies around the world that if you're doing business with those entities, there will be consequences.

I would say one other point which I don't believe is in Congressman Sherman's bill that was introduced as reporting language in CISADA and was introduced as a sanctionable offense in the European sanctions law, but the Iranians are very, very clever. And if you watch Iranian countermeasures, it's actually something to behold.

They really are playing three-dimensional chess with us. So we go after their investment; they start looking at energy bonds. We go after technology; they figure out, well, if I can't bring technology into Iran and bring expertise into Iran, what I'm going to do is invest in overseas energy projects and I'm going to get Iranian energy officials on the ground around the world, learning from international companies about how to do this and getting access to technology.

And so you see the Iranians, now, are investing in overseas projects in oil and natural gas and in fact, they're investing in overseas refineries. Why overseas refineries? Because they want to be close to the source of refined petroleum. So one hand, I see the statistics that we've put together that Iran used to import 2.7 to 3.5 million barrels of gasoline per month. October was down to 500,000. November, unfortunately, is back up to about 900,000. The Iranians are finding ways around our sanctions.

And I would just conclude with this point, which I think is an obvious point. I think the Obama administration should be commended. It's the first administration in U.S. history, under ISA, that sanctioned any company.

It sanctioned Naftiran, which is an Iranian company based in Switzerland and a major player in the Iranian energy sector and a major player in overseas procurement and funding of Iranian energy sector. They should be commended. They should be encouraged to go further and continue to investigate these companies. I know Tom and his team spent an enormous amount of time doing this.

But those companies that are in violation of ISA should be sanctioned. That will send ripples of fear through the energy sector. If you do business with Iran, you will be put to a fundamental choice between Iran and the United States.

MR. : Overseas JB's (ph) are in the bill by the way.

MR. DUBOWITZ: Congratulations. (Laughter.)

MR. : Somebody suggested that we put it in there, so. (Laughter.)

MR. KITTRIE: Okay. Tom? What a next round might look like.

MR. DELARE: Well, I guess you sense a little bit of my frustration. I'm trying to work through this round as quickly as I can. (Laughter.) But I recognize that there is actually a value to having this stuff – sort of like having your next pitcher up in the bullpen so that everybody can see just exactly how fast he's pitching because that creates an atmosphere of fear, perhaps.

I know that when you were discussing CISADA, Don, and its various ramifications – I'm sorry – its various variations, we were able to use that with a lot of companies to say, look, you know, it's much better if we – you start moving now to divest yourself of this interest, to divest yourself of this interest, to draw down your activities because worse is coming. So there is some value to you know, seriously thinking about this stuff.

I would also say that we have a lot of stuff to work through and we approach some of the problems perhaps differently than the Congress does, but there are some different ideas I guess I can put on the table. We look at, like, what economic tools have yet to be used really broadly? I was recently in London – this is an example.

I spent four days talking to shippers, brokers, insurers, all about worldwide shipping patterns, who was servicing Iran with what kinds of cargos, et cetera. Why were they stopping? Why were they continuing? All this stuff. And it admits to all this sort of – you can understand what those conversations were like.

I was approached by some bankers who said you know, why don't you do something about the fact that IRISL ships are all designated. And of course, I looked at him and I thought what's – that's right – we designated them, thanks to Treasury.

What do you mean? He said, well, we'd seize those assets with greater alacrity if we knew they had value because they're designated. Nobody can, you know, take them and basically say for nonpayment of the mortgage on the ship and then use it for another purpose because the haul is designated, whether or not it belongs to IRISL.

Now, in just the past couple of weeks, Treasury has managed to set in place a new – if I'm misstating your position on this, let me know – has been able to set in place a new method of dealing with that so that three ships currently in Singapore have been de-designated and are now available for sale. And that means that that vessel, which previously had zero working value because no reputable company would purchase it now can go back on the market as an asset.

That can encourage other banks to look at their bad loans on IRISL vessels and take the right action. So that's something we're spreading the word about that, although I imagine the banking community is probably moving at light speed to spread that already. I think it was a very good move on the part of Treasury.

And as we look at the new legislation in broad terms, as I mentioned, we look very much at how can we make it – how can we make it operationally viable? And I know we're looking forward to discussions with our friends on the Hill just to say it's a good idea, but let's talk about how we can do it because some of the stuff becomes very difficult to operationalize.

And again, I'll make a plea for keeping multilateral support as best we can. So if there's an idea about particularly wrenching changes, we would really like the chance to be able to float some of those and see exactly how we can deal with them because maintaining international consensus is really, really important.

MR. KITTRIE: Thank you, Tom. Danny?

MR. GLASER: Sure. Let me – let me pick up on some of the things that both Tom and that Mark were saying that if we had – if we had, had this conference and this panel six months ago. I don't think a lot of the positive statements that have been made by the effectiveness of sanctions would have been made six months ago.

And the question why is that and you know, we did get a new U.N. resolution. It's a good, strong U.N. resolution, but the fact of the matter is, is that resolution is incrementally stronger than the previous resolutions. It's of the same type as the previous resolutions. It's incrementally stronger.

What was different? What was different about what happened after the resolution than what had happened after different resolutions? And that is the strength of the international community's implementation of that resolution and willingness to go beyond that resolution. And you had very, very strong measures taken by the European Union, by countries like Japan and South Korea, to both implement that resolution, go beyond that resolution.

And that's, I think, what ultimately was shocking to the Iranians. And it's ultimately what's given us the ability to come to something like this and have a relatively positive outlook on the effectiveness of sanctions and even to want to talk about well, how do we make this regime even stronger.

So we have to ask ourselves, well, how do we replicate that? How do we replicate that type of international reaction because that's ultimately the point that Tom was making is how we're going to get the real bite. The Iranians expect the U.S. to sanction Iran. They don't expect the rest of the world to.

And that's where – that's sometimes where the real challenge is. How do we do that? How do we get that kind of – how do we get that kind of follow-through from everyone else? And I think the answer to that question is it's always easier to get international bind to conduct-based measures.

It's easier to talk about. It's easier to justify and it fits into systems that these countries already have in place. So what sort of conduct-based measures can we think about implementing? Can we think about applying? That would really tighten – tighten the pressure. And I think Mark touched on a really important one and that's the IRGC.

The IRGC is pervasive throughout the Iranian economy, throughout various important Iranian sectors. It also has far-flung international business interests. It's an entity that everybody knows is involved in proliferation concerns, terrorism concerns, human rights violations. It's already designated by the European Union. It's already been targeted by any number of countries.

So to the extent that we can focus our efforts, not explicitly on the IRGC, but I really do think the IRGC presents us with – unfortunately, presents us with a great array of opportunities to use conduct-based measures consistent with – consistent with international regimes that are already existent that can be strengthened to really enhance the pressure that we've put on Iran. So I do think that's an important point that Mark raised.

MR. KITTRIE: Okay. And we'll turn, for our last person in this round, to Ken Katzman. And then after that, I'm going to open things up to questions from the audience so get your hands ready. But first, let's turn to Ken.

MR. KATZMAN: Yeah. I mean I think what we're talking about on the panel, really, I think, makes the point that I try to emphasize in some of my talks on this issue is if you're – I mean Iran has become, you know, like the third rail. You know, no corporation wants to touch it; it's poison.

If you're – if you're a corporate executive in Europe, you know, even, you know, the Asian – dynamic economies of Asia, if there's the least little bit uncertainty of dealing with Iran, that it may be punishable, it may be exposed, it may be sanctionable, you're just not going to get involved. No one wants to touch Iran right now.

It just – there's no payoff. I mean you're talking about a GDP of less than \$1 trillion. The U.S. GDP by comparison is \$14 trillion. The GDP of the EU is about \$14 trillion. You're not going to risk 28 trillion (dollar) market to go after an \$800 billion market. I mean it just – the economics don't work.

I disagree a little with Dan – the IRGC, obviously, I've written a book on the IRGC since my book, it's gotten involved in corporate activity, quite right. But I think the main impact of the sanctions has not really been on the IRGC. The main impact is on the trading families. Iran's economy runs on trade, import-export.

They don't make any world-class goods that are sold anywhere. The way the Iranian economy works is to import goods, mainly from Europe, mark it up at a profit and sell it inside Iran. And now, the trading families have to pay much more for those goods. They can't buy in bulk because they can't get letters of credit so they can't buy in bulk and get a good price.

They can't get – the shipping is more expensive. Their entire profit margin is almost gone and the economy is going – in my view – inevitably to implode because the economics for Iran just will not work.

MR. KITTRIE: Mark, did you have a two-finger intervention before we turn to the audience?

MR. DUBOWITZ: (Chuckles.) I do. I mean, I think, Ken, that I think we need to be very careful about being too optimistic and Pollyannaish about this. I mean if Iran is the third rail, then why has German-Iranian trade gone up by double-digit percentages this year? Same with Italian trade. I mean Benny Weinthal, who works for us out of Berlin, spends 24 hours a day monitoring this.

And it seems to me that German companies, Italian companies and a number of Asian traders. I mean in the gasoline sector, we see this all the time. It's not yet the third rail. There is still an enormous commercial relationship between the international community and Iran. And if we're going to – if sanctions are truly going to work, we need to send a very clear message to these companies that if you do business with Iran, we are going to punish you.

And I have deep respect for the international coalition that this administration has put together. It's about 32 countries, I believe, representing over a billion people. That's a significant international coalition. It's very important that we keep that coalition together and alive and that we don't have the Europeans passing – blocking legislation, making it illegal to actually comply with U.S. sanctions.

So with all that in mind, it has to become a third rail. And the only way to do that is to set an example. The U.S. Treasury Department, along with the district attorney of New York and Danny, you can probably correct me on this, but I believe it has now imposed over \$1.5 billion of fines against international banks for violations of U.S. Iran sanctions law. And that sent shockwaves throughout the financial sector.

I mean 1.6 billion (dollars) or a 1.8 billion (dollars). I mean they've done a terrific job of punishing bad behavior. I think that if you look at the energy sector and you look at the industrial sector, we haven't see that. And until we see that, these companies will continue their trade because there is big money to be made.

MR. KITTRIE: Thank you, Mark. And now, we'll turn to questions from the audience. Jared (ph), did you have a country?

Q: Yes, sir. Thank you. Jared – (inaudible) – Los Angeles. Along with encouraging the administration to seem less reluctantly brought to the issues of sanctions, but to have the bully pulpit of the world stage as a major cheerleader, rallying our Western allies to the cause, which would perhaps discourage Austria's chamber of commerce from doing forms as it did recently to hit – educate Austrian businessmen how to do more business with Iran. I think, one, would it not help if the administration were more of a cheerleader for sanctions on the world stage?

Second, in terms of silver shrapnel, for sanctions to really be effective, including the bill being brought forward by Brad Sherman and his counterparts in the Senate, would it not help to start helping the Green Movement to pressure this regime, both internally and politically and put a true existential threat on a regime that is existentially threatening its neighbors, Israel and ultimately, us?

MR. KITTRIE: Thank you. And what I'd like to – what I'd like to do is let's try to keep our answers and also the questions relatively short because I see there are a number of folks who want to ask. So let's try – relatively brief answers. Why don't we start with Ken?

MR. KATZMAN: Well, you know, the Green Movement, you know, Senator-elect Kirk spoke on the issue. I mean we saw some of that in CISADA, in the legislation that was enacted in July and the administration has named eight Iranians as human rights abusers. You know, there are ideas, you know, in think tanks in various places to do more on that – to talk more about, you know, Iranian human rights at the U.N. and cooperation with our partner countries.

The problem with, you know, getting full-bore behind the Green Movement, you know, is the risk that they would be discredited by some overt or very noticeably U.S. backing. I mean, the Green Movement has quite a bit of support that was generated without any lifting of a finger by the United States. They have a lot of horsepower inside Iran without our help.

Now, you know, obviously they had an opportunity last year. They didn't do the political work they needed to do last year to be successful. They are doing that political work now. They are reaching out to labor unions, the older generation, people in the rural areas, people who they did not get into the streets last year. And I think the administration feels that, you know, getting fully behind that would discredit them inside Iran.

MR. SANGER: Dan?

MR. GLASER: Well, I guess I don't agree that this administration hasn't been a cheerleader for sanctions in Iran. I kind of feel that's my job – and a lot of people's job – is to be a cheerleader for sanctions on Iran. And since the U.N. resolution and since the enactment of CISADA, I've traveled with Bob Einhorn to China, to South Korea, to Japan to discuss and encourage vigorous implementation of international sanctions. I've traveled with folks from Tom's office to Turkey.

My boss, Stuart Levey, has been to the U.A.E. He's been to Turkey, too. He's been to Azerbaijan. He's traveled to Oman. David Cohen, our assistant secretary, has been to Brazil and other places. He's been to Turkey, too.

I don't – I don't think it's accurate to say that we haven't been pushing just as hard as we can for countries to very vigorously implement the sanctions and to go beyond those sanctions. And I think, as has been pointed out by a number of people, we've been – we've been successful in that. It has been and remains a core position and a core part of the Obama-administration strategy to pursue a dual-track approach.

The Obama administration has said that – or said that early on and has said it throughout. And President Obama signed what I thought, and what a number of people have said, was extremely effective, unilateral sanctions that the Congress passed in CISADA. And I think we've – and I think it's been – those sanctions have been extremely effective.

Now, you know, has the policy gotten us where we need to be? Of course it hasn't gotten us there yet. But to say that this administration is not committed to sanctions and committed to see the world implement the strongest possible package of sanctions I don't think is a fair criticism.

MR. SANGER: Tom?

Q: I'd like to second that. In just the past month, always in concert with the Treasury team, my people have gone to Brussels to talk to the EU. We've done – I went to London and then Iraq and Erbil – that's the Kurdish area – to talk about oil smuggling. Explaining exactly how to – in every place, how do sanctions work, what their responsibilities are so they don't get in trouble. I had a team last week in Armenia, Azerbaijan and Georgia. This week, I have somebody in Norway, Sweden and Finland.

We've identified basically every single significant commercial relationship that Iran has, no matter what it is – if it's oil, if it's heavy-machine parts, transportation goods, whatever. We are adapting a message and taking it to all of those countries. We're trying very hard to do exactly what you're saying, sir, to put the message out: This is what CISADA means. Here is the calculus you should have in your head. Here is our market, the EU market; here's the Iranian market. So I think we're trying very hard to bring this lesson to the world community just as quickly as we can.

MR. SANGER: Don?

MR. MACDONALD: (Inaudible) – is used to listening to my boss, so when he uses terms like “cheerleader”, he's used to hearing somebody who's a little bit – who's a politician as opposed to a diplomat, I guess. But yeah, I think human rights – one of the ways we could use it more effectively – or one of the ways we could help the Green Movement more effectively, I believe, is by constantly pushing the issue of human rights.

I'm not a human-rights expert. I don't really work in that area of law and policy. But it seems to me that we used it as a weapon against the Soviet Union through things like Jackson-Vanik, through the Helsinki Accords. And a similar use of human rights as another one of the weapons we're using against the regime in Tehran would be – would be wise and would help the Green Movement without the possibility that we end up tarnishing that movement by associating directly with it.

MR. SANGER: Mark?

MR. DUBOWITZ: I think – well, let's move to another question on it.

MR. SANGER: Okay. Good. What I want to do – since we're running relatively short on time, I want to try and take several questions at once. So why don't we start with Mark Fitzpatrick, who is himself one of the leading experts in the world on Iran's nuclear program.

Q: I very much applaud the work of all the panelists and the work of FDD in exposing countries that are still doing what they're doing. I've heard more optimism today in the last hour than I've heard anywhere in the world in the last year. (Laughter.) I do worry a little bit that it's over-optimism. I don't think Iran sees itself as, as isolated as we would like to think it is. Iran knows that it's under pressure from countries in the Northern Hemisphere, including Russia. And I think Russia's breaking of the S-300 air-defense system was probably the single most important sanction anyone has applied, because nobody else can replace that. You know, oil and gas is fungible.

But Iran looks to friends in the Non-Aligned Movement. They count the number of countries and they say most of the world is actually supporting them. Iran has more neighbors than any country besides Russia, and I don't think a single one of them has really applied any of these unilateral sanctions.

So you know, with – combining fungibility with neighbors willing to still trade, there's still a lot of work to be done. I just – I'm a cheerleader myself for sanctions. I travel around the world quite a bit. I picked up a lot of good talking points I want to use. But I'm curious about if there's more evidence that Iran really is losing other friends in the Southern Hemisphere.

MR. SANGER: Thanks. And we'll take three more questions in this round. Yes, up here, the gentleman in the purple shirt.

Q: Yeah, Hi. I'm Bob Dreyfuss with The Nation magazine. It seems to me that the severity of the sanctions has some relationship to the goal that you're trying to achieve. If it's regime change or collapse, then it's an existential issue for Iran. If it's something like, halt your nuclear program entirely – the enrichment – then it's really a tough one. But there's a story in Haaretz today that says that the EU in the last talks that just ended said that Iran can keep its centrifuges, keep its nuclear-enrichment program in exchange for an inspections regime by the IAEA.

In other words, some sort of deal that apparently the Obama administration is also supporting. So if that's true, then doesn't that mean that the sanctions are more likely to push Iran to accept a deal that's sort of, obviously, in their own self-interest in many ways as opposed to giving up their enrichment program, which they seem to view as a kind of national right and patrimony?

MR. SANGER: Okay. Let's take two more questions. Why don't we take – over here? Reuel?

Q: Yeah, if we can just make an assumption that the sanctions presently on the books are going to be insufficient to prevent Khomeini from getting a nuclear weapon and that the only sanctions that might conceivably be sufficient are oil and gas sanctions of an extent which we have not yet – at least the administration hasn't contemplated, which countries are absolutely essential for the U.S. to have as allies if we were to go down that path and implement very serious oil and gas sanctions that would, in effect, shut down much of the Iranian oil industry?

MR. SANGER: Thanks. And if we're taking another question, I should mention Reuel is himself an eminent senior fellow at FDD and an expert on the region as a whole. Richard?

Q: Well, we seem to be talking continually about the – we're talking continually about the deferral or stop to Iran's nuclear ambitions – nuclear-weapons ambition. Are we emphasizing sufficiently in our diplomatic efforts, and I daresay in our legal efforts internationally, on what Irwin Cotler was discussing this morning, the human-rights violations, the export of terrorism, the incitement to genocide – which already is a actionable offense in the international legal bodies against Iran's leaders – and, I might add, Iran's place in enabling and arming and equipping enemies of U.S. and allied forces in Iraq and Afghanistan?

MR. SANGER: Thanks. And I'd add one more question to this round: What would you say is the role for private citizens? What more can private citizens and nongovernmental organizations such as FDD do to help persuade foreign companies to stop doing business with Iran? And with that, why don't we start with Ken on this one – on this set of questions.

MR. POLLACK: On this set, yeah. You know, Ahmadinejad, you know – we've talked about the criticisms of him. The genocide thing, you know, I'm not real – I'm not sure that's the most fruitful route to go down. But that's my own view, you know.

I would say, you know, first of all, Kuwaiti gas companies have stopped shipping gasoline to Iran. The UAE has cut back banking transactions with Iran, which caused the rial to fall 15 percent. India's Reliance Energy has stopped shipping gasoline to Iran. You've mentioned the S-300. I'm not convinced this is just the P5-plus-1. I mean, it's broadening out.

Now, certain countries have stepped up – you know, Brazil, Turkey – for their own reasons. You know, second-tier countries trying to be – you know, emerge for their own reasons. Iran's neighbors, obviously, want to do some hedging because they don't know what's going to happen. They don't want to gratuitously antagonize Iran. But I don't see that Iran has very many friends right now.

What else – what were the other questions? Anything else? Well, let me – let me pass the mic.

MR. SANGER: Dan?

MR. GLASER: Well, yeah. I mean, those were a lot of good questions, some of which, I think, are relevant for the Treasury Department and others which I'll leave for other panelists. But what I really wanted to pick up on was the first question, because I think it underscores the importance not just of outreach to foreign governments and dialogue with foreign governments but outreach to and dialogue with the international private sector and the international financial community, because I think that has been an indispensable part of the global efforts.

There are – just about any country will say – of course they'll say – that they will implement the U.N. Security Council – the mandatory paragraph of the U.N. Security Council resolution. Of course everyone's going to say that. The question is, what are they really going to be willing to do beyond that? And some countries are willing to go significantly beyond that; others aren't.

But what we've seen is that the international private sector is generally willing to go significantly beyond that, both, frankly, because of the unilateral U.S. sanctions that Congress enacted and President Obama signed recently and also because of the general dynamic within the international financial community that really over the past four years has been tending to isolate Iran through a lot of the targeted financial sanctions we've applied to the Iranian banks, through a lot of the statements that have been made by an international organization like the Financial Action Task Force and the U.N. Security Council relating to Iran's private sector.

And so I had been to some countries in meetings with government officials that haven't been so eager to go significantly beyond the U.N. resolution, the black-letter law of the U.N. resolution. But then you have your conversations with the banks and you have your conversations with the private sector and you see, in the case of financial institutions, that usually they're not eager to be doing business with Iranian banks and with the Iranian financial system.

And oftentimes, you talk to members of the business community, and they're actually quite frustrated in their ability to gain financing for a lot of the business that some of them would like to do. I mean, I agree with you. I don't think we should be Pollyannaish about sanctions. And I don't think that sanctions in and of themselves solve many problems. I think sanctions need to be part of a comprehensive policy. So you know, and the jury is – you know, the jury is still out.

So I agree with you. I think that we should be – and I appreciate all the comments – I mean, I think we should be and are proud of the successes that we've had. But there's work to be done ahead.

MR. SANGER: Tom?

MR. DELARE: Let me sort of pick up on that theme, Danny. The private sector and publics of the world are basically our friends in this whole endeavor. I mean, we have found that sometimes that because people are incensed at Iranian behavior, they come to us with information. Many NGOs who are active in the international issues, such as FDD, has been very helpful – and not just FDD – in providing us with thoughts about things that might be going on that we should be paying attention to. And we're glad to oblige that.

Even sometimes, you know, business firms have their own very profit-motivated reasons for coming to us, because after all, as you all know, we've basically applied the special rule to five major energy firms. Now, you know, we look at that as a great success because we secured promises from those firms to cease their investment activities in Iran in a relatively short period of time and not to undertake anything new.

Now, who do you think is going to police that? Of course we will ask the intelligence community to watch this. We will monitor the trade press. We will talk to people at local embassies. But I can assure you, if one of those major firms stays in the area, who do you think the first one is going to be to complain about it? They'll be in the door and their competitor will be in the door. This is how it – talk to anybody at the Justice Department. They'll tell you it often works like that – (chuckles). So I'm relatively confident that we can pick up on, you know, major changes in any understanding we've reached with those companies.

I don't think we are overly optimistic or Pollyannaish about this at all. I know when I do my travels and speak to foreign audiences, in particular, I'm very careful to express a sense of urgency to them, because it's a great motivator. You know, we're asking them to forego profit, perhaps, forego future prospects for the sake of causes that they may not be wholly onboard with. But yet, you know, we explained it: This is a problem. Time is running out.

We need their assistance. And without that assistance, perhaps, we're all going to be – we're looking for a flash in the night, and we're not going to like it. So that is a very effective argument. And I don't think we're being Pollyannaish about it. We're being – trying to be realistic, and we're trying because that's the best way to secure the cooperation of other parties who can assist us in this endeavor.

MR. SANGER: Thanks. Don?

MR. MACDONALD: If I understood your question correctly, you wanted to know which countries would be most important if we ever went down the road of actually trying to restrict Iran's oil exports. I don't think it's their customers, I think it's other oil-producing countries. We live in like, what, a 90-million-barrel-a-day world, roughly. I think Iran exports like, what, 3 or 4 million barrels (a day) at this point. That doesn't sound like a huge amount to make up, but apparently it is more difficult than one would think, perhaps.

And I think either WikiLeaks or some other way – the conversations with the Saudis have been in the press where the Saudis said that they could help trying to make up some of the lost exports, at least with respect to the Chinese buying Iranian oil. So I think – you know, we're all petrified about the idea of going back up to \$150 a barrel or worse if we take capacity offline. And the producing countries are probably the most important. to the extent they can make up that capacity, it would soften the blow significantly and make it much more – much more palatable.

With respect to the question about enrichment or no enrichment, zero enrichment or some type of arrangement where we do allow for some type of enrichment to remain in Iran or on Iranian territory, I'd be curious to know which European countries have said that they are willing to allow Iran to maintain enrichment. I do know that the French have always been very tough and said, zero enrichment – under no circumstances should Iran be allowed to enrich in territory.

Given the fact that you're a reporter and this is sacrilege, I didn't say it, but I think we need to start thinking about some arrangement. Is it at all theoretically possible we could live with some type of arrangement where some enrichment does remain on Iranian soil? And I don't know the answer to that question, but I think we do have to start thinking at least about whether or not there is some type of arrangement that we would live with in a push.

MR. SANGER: Mark?

MR. DUBOWITZ: I would just make this comment. I mean, I think when you deal with economic sanctions, I've learned to my chagrin that you don't become particularly popular at cocktail parties. I mean, sanctions are really – I have to say this with all due respect to my panelists and to all of you who have endured the past hour-and-a-half – this isn't scintillating stuff. I mean, you put us against, like, computer worms and killing nuclear scientists and launching military strikes. We're not playing Vegas next week because sanctions is tough stuff.

And it's intricate, involves in many cases not grand gestures but determined, obsessive incrementalism. And I think that's part of the reason that many of us who care deeply about this issue with respect to Iran get frustrated, because you don't see a lot of grand gestures, you don't see a lot of vociferous cheerleading that maybe satisfies certain thresholds.

I would say this, that I think there's still enormous work to be done. I think it's having an impact. I think that we should be looking at going after crude-oil sales. I think Don is exactly right that we shouldn't do it in ways that are too direct, that don't require grand gestures because we don't want to spook the energy markets.

I mean, if you do this incrementally and you begin to tighten it, you begin to impose restrictions, you begin to make it much more difficult to buy Iranian oil, the market will react to this. I mean, the purchases will begin to diversify naturally. It's just easier to buy oil from, perhaps, Iraq today than it is to buy from Iran. Well, let's make it even more difficult to buy from Iran. But let's do this incrementally.

And often, let's do this without grand gestures, without things that are going to make you popular at a cocktail party. Let's do this in a way that's slow – let me – let me rephrase this: Let's do this in a way that's quick and methodical but yet is obsessive, determined incrementalism.

And I think that's what I'm seeing from this administration and from this Congress. And I really do, in those quiet moments when I'm deeply afraid of what's next, I'm thankful for the work that's being done, because they are truly determined. And there's amazing things taking place, much of which doesn't get reported in the press because, let's face it, it just isn't sexy.

MR. SANGER: With that, we've reached the end of our timeslot. Our star-studded cast has, I think, provided us with a very interesting, frank and in many ways fresh perspective. (Applause.) Thank you all very much.

(END)