



Written by [Bob Adelman](#) on April 1, 2016

## Iranian Complaints Prompt Obama Administration to Soften Sanctions

Anonymous sources told the [Wall Street Journal](#) on Friday that the U.S. Treasury Department is developing plans to allow Iran a “workaround” on sanctions imposed because of Iran’s support of terrorist groups.

These are separate from the sanctions lifted following the seven-nation agreement signed last July in which Iran agreed to scale back its nuclear development program. U.S. Treasury Secretary Jack Lew (shown) made clear the difference then: “Iranian banks will not be able to clear U.S. dollars through New York, hold correspondent account relationships with U.S. financial institutions, or enter into financial arrangements with U.S. banks.” Separately, Adam Szubin, the sanctions “chief” at the Treasury Department, confirmed Lew’s absolutist position, saying that Iran wouldn’t be allowed “even to execute a dollarized transaction where a split second’s worth of business is done in a New York clearing bank.”



Dollars are important to Iran in that they facilitate and reduce the cost of doing business in Europe, India, Japan, and elsewhere. And Iran is conflating the issue by complaining that the sanctions that remain in place aren’t fair — that they put Iran at an extreme disadvantage — and as a result are stymying Iran’s ability to enjoy the robust financial relationships promised by the July nuclear accord. So said Iran’s Supreme Leader, Ayatollah Ali Khamenei: “Our banking trade, our efforts to return [our] wealth from their banks, various kinds of businesses that require financial services, all of these are still facing problems.”

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And well they should as Iran continues to fund terrorist groups such as Hezbollah in Lebanon and the Houthi militants in Yemen. But Lew has folded like a cheap suit in summertime. In a speech to the Carnegie Endowment for International Peace on Wednesday, Lew walked back his previous commitment:

We must be conscious of the risk that overuse of sanctions could undermine our leadership position within the global economy, and the effectiveness of our sanctions themselves.... If foreign jurisdictions and companies feel that we will deploy sanctions without sufficient justification or for inappropriate reasons ... we should not be surprised if they look for ways to avoid doing business in



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the United States or in U.S. dollars.

Right now banks are leery of touching Iranian funds, thanks to a \$9-billion fine levied by the Treasury Department in 2014 on French multinational bank BNP Paribas for violating U.S. sanctions. Some small banks are willing to take the risk, but reports indicate that the amounts involved are so small — less than \$50 million — that nobody at Treasury really cares. But big banks, according to the deputy chief executive of Iran's Export Guarantee Fund, are turning their backs on Iranian entreaties to do business with them:

Some small amounts have gone through but the huge amounts will require involvement of big foreign banks which were active in Iran projects before the [U.S.] sanctions were imposed. They are still reluctant to start doing business with Iran.

To the rescue, then, comes Lew's Treasury Department (according to sources familiar with the pending deal who demanded assurances of anonymity) — with currency exchanges. These would be allowed to perform the functions so desperately needed by Iran but they wouldn't be called banks. They would operate under special licenses granted by Treasury which would permit these exchanges, located offshore, to exchange Iranian money (rials) for dollars without penalty. The sources said that Treasury would assure that only "legitimate" trade would be involved, but they didn't define the term or explain just how it would be enforced. A primary benefit to such an under-the-table arrangement is that congressional approval wouldn't be needed.

This has outraged several members of Congress on both the Left and the Right. Senators Marco Rubio (R-Fla.) and Mark Kirk (R-Ill.) wrote Lew a letter seeking assurance that such a deal wouldn't take place. They are still awaiting Lew's assurance.

Regarding the proposed "workaround," House Speaker Paul Ryan (R-Wis.) said:

These reports are deeply concerning, to say the least. As Iran continues to undermine the spirit of the nuclear agreement with illicit ballistic missile tests, the Obama administration is going out of its way to help Tehran reopen for business. The president should abandon this idea.

These complaints were rebuffed by Obama's deputy national security advisor, Ben Rhodes: "Ballistic missiles, support for terrorism, destabilizing activities in the region, that's not the nuclear deal. [This deal] is a separate set of issues in which we have the ability to respond [without congressional approval]."

When Iran saw that it wasn't getting all the billions it was promised under the nuclear agreement, it started complaining, conveniently ignoring the fact that the sanctions which were referred to related to its support for terrorist groups. But in order to be fair, upright, and honest, said Lew, the "workaround" now under construction inside the Treasury Department will allow Iran access to dollars. This is so that the United States can comply with the "letter and spirit" of the nuclear agreement, said Lew, again conflating the two separate sets of sanctions, and allowing those not paying close attention to approve his loosening those sanctions to the terrorist-funding enemy of the United States.

*Photo: AP Images*

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