

**Statement of
Christopher Backemeyer, Deputy Assistant Secretary for Iran
Bureau of Near Eastern Affairs
U.S. Department of State
House Financial Services Subcommittee on Oversight and Investigations
September 8, 2016**

Chairman Duffy, Ranking Member Green, and Members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Chris Backemeyer and I am the Deputy Assistant Secretary of State for Iranian Affairs. I am a career State Department official and I have worked on Iran for the better part of the last decade. I welcome the opportunity to come before the committee as well as the American people and describe and correct some of the misunderstandings about the Hague Claims Tribunal Settlement that was reached and announced in January of this year – a settlement that we concluded was clearly in the U.S. national interest and which saved the U.S. taxpayer potentially billions of dollars.

As you know, President Obama and Secretary Kerry announced the settlement on January 17, when it was concluded, and specifically noted that the settlement involved \$400 million for the FMS Trust Fund that had been established with Iranian funds, as well as \$1.3 billion as a compromise on interest on this sum. This was also posted on the State Department website.

After the announcement, we received inquiries from the Congress, and in each case we offered to provide a closed briefing to members and staff, and one member requested such a briefing, which we provided.

The Hague claim settlement resurfaced in the press again recently, and again we received questions from the Congress, and again we offered to provide a closed briefing to members and staff. And two days ago, we provided two such briefings – one for House staff and one for Senate staff.

And, we are happy to be here today to continue discussing this issue and all of the things that we have accomplished for the American people through our diplomatic efforts toward Iran.

I should note at the outset that there will be limitations to what I and my colleagues can say in an open setting. As I mentioned earlier, we have previously offered closed briefings because there a number of litigation and diplomatic sensitivities

that could jeopardize U.S. interests if we were to go into too much detail. Specifically, as my colleague will explain in more detail, the settlement in January addressed a significant part – but only one part – of a much larger, multi-billion dollar claim, which is being actively litigated, including filings this week.

Iran has a long history of mining the U.S. public record for ammunition to use against us in claims litigation. This includes statements that have been made in Congressional briefings. As a result, it is extremely important that we not say anything in a public setting that would jeopardize our defenses to Iran's remaining claims at the Tribunal. There will also be limitations to what we can say about certain diplomatic discussions we have had with foreign partners, whose cooperation we rely on to address the myriad of security and diplomatic issues around the world.

With those limitations, I will proceed to provide you with as much information as I can today. I think the best way to start is to take a moment to summarize the series of events that occurred on the weekend of January 16-17, a weekend where we finalized a number of diplomatic efforts that advanced U.S. interests in significant ways. As you may be aware, at this time, the United States was pursuing multiple lines of effort that we sought to finalize on or around the same time in mid-January.

First, we were on the verge of implementing the nuclear deal, and the International Atomic Energy Agency (IAEA) was in the process of verifying that Iran had met all of its commitments under the deal for reaching Implementation Day. On that weekend, the breakout time for Iran's nuclear program went from less than 90 days to at least one year. 98 percent of its enriched uranium stockpile was removed, and extensive transparency measures – the most comprehensive to be negotiated in the non-proliferation context – were implemented.

At the same time, we were pushing to finalize an arrangement to get several wrongly detained American citizens, including Washington Post reporter Jason Rezaian, Christian Pastor Saeed Abedini, and former U.S. Marine Amir Hekmati, safely out of Tehran, which was a top priority for us and one that I know Congress shared. We had been pressing the Iranians to release these Americans at every opportunity throughout the nuclear negotiations and continued our efforts to secure their release over 14 months of separate discussions. These individuals were facing lengthy prison terms – if not potentially worse sentences – on trumped-up national security and espionage charges. Absent the resolution we were able to

reach during this period of intense diplomatic effort, we may not have been able to secure their freedom and reunite them with their families anytime soon.

And, lastly, our lawyers were working to finalize the settlement of a long-standing claim that the Iranians had filed at the Iran-U.S. Claims Tribunal at The Hague regarding the Foreign Military Sales (FMS) Trust Fund. The issue of settling the large remaining claims at the Hague Tribunal, including the FMS Trust Fund, had been raised by Iran a number of times over the years. The Iranians had been making a push at the Tribunal to have a hearing on this case and we knew they were eager to settle the case so that they could address critical economic issues, such as their weakening currency. As my colleague will describe in a moment, we realized that we could take advantage of the importance that Iran attached to recovering its principal from the FMS Trust Fund in order to drive a bargain on the 37 years of interest Iran claimed on that principal, which would greatly benefit U.S. taxpayers and protect the United States against the potential risk of a large adverse judgment.

There has recently been much attention paid to the timing of these various issues, which has led to some mischaracterizations that I welcome the opportunity to clarify here today. It's important to remember that for more than three decades we have had no diplomatic relations with Iran and minimal diplomatic contact. As a result, there was a significant risk that any one of these efforts could unravel. It was our assessment at the time that by taking advantage of the diplomatic momentum and trying to finalize all of these issues on or around the same time, we could maximize the likelihood that we would achieve all of our priorities.

The priority that we were the most worried might not succeed was the release of our American citizens. This process had gone in fits and starts, and there were elements inside Iran extremely opposed to any sort of arrangement in which our citizens would be freed. We therefore had some significant concerns that it would unravel. And, those fears escalated over January 16th and 17th when, after the terms of the consular arrangement had been finalized and the Swiss were just about ready to fly our people out of Iran, we were unable to locate the wife and mother of Jason Rezaian. It was agreed that Jason's wife and mother would also be allowed to leave Iran as part of this deal, so their disappearance was highly concerning. At this point, the IAEA had verified Iran's commitments and implementation of the nuclear deal had begun. And my colleagues at the Treasury Department had begun the necessary arrangements to pay the principal in the FMS trust fund, but the payment had not yet occurred.

When this uncertainty presented itself we became very concerned and decided to take a pause before finalizing this other line of effort, specifically the finalization of the payment for settlement of the FMS Trust Fund claim. After a stressful night of uncertainty, and after several high-level phone calls to Iranian officials, including by Secretary Kerry, we were able to confirm the location of Jason's wife and mother and get them on the airplane so that they could leave Iran. With that resolved, we moved forward with a reciprocal humanitarian gesture in which we provided relief to certain Iranian nationals – including several dual U.S.-Iranian nationals – who had primarily been charged with sanctions-related crimes, and we also reinitiated our efforts to finalize the outstanding actions that we had agreed to, including the payment of Iran's FMS Trust Fund principal. This decision was made out of prudence when the success of our diplomatic efforts was in serious doubt. So, we took the prudent step to pause, assess the situation, and resolve our concerns before moving forward.

Through these negotiating tracks we were able to conclude these issues in a manner that advanced our core interests – again, ensuring Iran can never have a nuclear weapon, potentially saving taxpayers billions of dollars on this claim, and freeing wrongfully detained Americans as well as ensuring the return of their family members from Iran.

Again, each of these arrangements was analyzed on its own merits and determined to be in U.S. interests: The release of several of our U.S. citizens along with the safe return of Jason Rezaian's mother and wife by Iran was based on a reciprocal humanitarian gesture in which we provided relief to certain Iranian nationals – including several dual U.S.-Iranian nationals – who had primarily been charged with sanctions-related crimes. And the release of the FMS Trust Fund monies was based on a settlement of Iran's claim for those monies and for 37 years of interest, a settlement that was highly favorable to the United States.