

U.S. Department of State

Diplomacy in Action

Background Briefing on the Countering America's Adversaries Through Sanctions Act (CAATSA) Section 231

Special Briefing

Senior State Department Officials

Via Teleconference

January 30, 2018

MODERATOR: Okay. Hi, everyone, and thanks so much for joining the call this afternoon. First, I'd like to say that the call is on background and will be embargoed until the end of the call. We organized this call to help add a little bit more context to our announcement yesterday related to Section 231 of the Countering America's Adversaries Through Sanctions Act, or CAATSA. I want to make it clear that we are here to talk about the State equities of it; that is, of Section 231 of CAATSA. If you have questions related to Section 241, those should be directed to the Department of the Treasury.

We have with us today three senior State Department officials. I'll introduce them by name now, but then they will need to be referred to in your reporting as Senior State Department Officials One, Two, and Three. First we have [Senior State Department Official One]. He'll be referred to as Senior State Department Official One. Next we have [Senior State Department Official Two]. She'll be Senior State Department Official Two. And finally, we have [Senior State Department Official Three]. He'll be Senior State Department Official Number Three.

With that, I'll turn it over to our Official Number One, who will have some brief remarks, and then take some of your questions. Please keep your questions to one per person so we can get to as many reporters as possible. Thank you.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Hi, all. This is [Senior State Department Official One]. Thanks for joining us this afternoon. As [Moderator] mentioned, we were hoping to provide a little bit of clarity. We know that there was a lot of different activity going on yesterday, and so we thought this would be a good opportunity, again, to provide some clarity on 231.

The most important thing – and I wanted to start with this – is to clarify that yesterday, January 29th, was not a deadline under Section 231. So it was not a deadline to impose sanctions; it was actually a start date. It was the start of the race. It was the day on or after which we could start imposing sanctions if we make the determination here at the State Department of activity that falls under the provision. So with that in mind, I wanted to go back a little bit and give you a summary of how we've been implementing this provision since the bill was signed into law on August 2nd, and then where we're going from here, and then, of course, open it up for questions.

As you know, the President signed the bill into law August 2nd. He then delegated this provision 231 to the State Department on September 29th. On October 27th, we issued guidance regarding implementation of 231 of how we were going to go about implementing this provision. And as part of that guidance, we issued a list of persons that we saw or

determined as being part of the defense and intelligence sectors of Russia. So the defense and intelligence sectors of Russia, in order to clarify it, in order to explain exactly the term and what we mean, we issued a list – which was not a sanctions list, but a list of persons that we see as comprising those two sectors of Russia.

We have spent, then, since even before our guidance was out but certainly since the delegation on September 29th and through to today, we have spent a considerable amount of time and energy on engaging with partners, with allies, with private industry, and in fact, globally with countries around the world, explaining what Section 231 meant – the provision, the sanctions attached to it – and demarcating countries where we thought there could be potential sanctionable activity, explaining to them the consequences, and pushing them to stop potential deals that could run afoul of 231.

We have been doing this in the field with our posts overseas; we've been doing it here in Washington; it's been a global effort. We briefed this effort to Congress yesterday in a classified setting. Our discussions, our diplomatic engagements, are sensitive and we don't talk about them publicly, but we did brief Congress yesterday because it's important, of course, to keep them updated. I can say publicly, though, that the results of our engagement and our demarches globally, we have been able to turn off potential deals that equal several billion dollars. And that is real success, it's real money, and it's real revenue that is not going to the Kremlin and is not going to Russia as part of the intent of this law and the intent of this administration, to remind Russia and remind the Russian Government of the costs of its malign activity, specifically with regard to Ukraine.

So that's real success. As with all sanctions, and this provision included, you cannot only judge the success of sanctions based on public rollout, right. There is a ton of engagement that goes on and a deterrent effect behind the scenes that we lead with countries around the world, and cutting off and stopping potential deals is success even if you don't see the rollout of sanctions. That doesn't mean that if we determined – we make final determinations that there is sanctionable activity, we, of course, will roll out public sanctions. That's part of our implementation. But it's important not to only focus on public rollouts as we look at the successful use of this tool to further our foreign policy.

With that, I will close and open it up for questions.

MODERATOR: Okay, our first question goes to Josh Lederman with AP. Hi, Josh.

QUESTION: Two quick questions. One, I know you say you're limited in what you could say, but can you provide any specific examples of deals with Russia's defense or intelligence sectors that have been withdrawn or put on ice? I mean, the Turkish S-400 deal, the Saudi arms deal, anything specifically? And if not, why should the public be expected to take the Trump administration at its word that Russia's feeling the pain to the tune of billions of dollars, as you said?

And secondly, can you tell us what the dollar figure is that constitutes a significant transaction as it pertains to implementing this law?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Thanks, Josh. I'll start with the second question. We – and we've issued this in the guidance October 27th. But our definition of the term "significant" is a multivariable definition, so it's not only related to dollar figure. It also can include things like significant adverse impact to national – U.S. national security. So it's a multivariable definition of significance. We don't only look at the dollar impact.

As to your first question, we can't go into kind of our sensitive diplomatic discussions, but I assure you that the Russians know when a deal that they thought was moving forward is all of a sudden falling apart and not moving forward, they know which deals are being turned off. And that is having the intended consequence.

MODERATOR: Okay, next question. Dave Clark from AFP.

OPERATOR: Okay. And once again, ladies and gentlemen, if you do have a question, it's * then 1.

QUESTION: Hello.

MODERATOR: Hi, Dave. Go right ahead.

QUESTION: Hi, yes. Now, today and possibly still even as we speak, the Qatari foreign and defense ministers were here, were here for a meeting. Last week Qatar announced that it's negotiating to buy the S-400 from Russia. If that deal goes ahead, will that be a failure for this diplomacy?

SENIOR STATE DEPARTMENT OFFICIAL ONE: We're not going to speculate on – we're not going to, first, talk about ongoing discussions that we may or may not be having. We're not going to speculate about determinations that we might be making in the future. But rest assured, we are looking at all activity around the world. We're engaged in analysis and collecting information of a lot of potentials out there. It's important to remember that there are differences between potential deals, talking about deals, different stages of development, et cetera. But we are analyzing information. We're in ongoing discussions with a range of countries, and we will take appropriate action when we come to determinations.

MODERATOR: Next question, Felicia from *The Wall Street Journal*.

QUESTION: (Inaudible) give us a ballpark figure of the number of deals stopped based on your outreach?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I can't go into the specifics of which countries we've been talking to and the ballpark. I just can't get into those kinds of sensitive discussions.

MODERATOR: Okay, next question, Kylie from CBS News.

QUESTION: Yeah, hi. Thanks. I'm wondering – you can't go into the ballparks number of deals. Can you talk about how many countries specifically you reached out to? And I also wonder – part of this legislation was also to make Russia kind of feel some sort of result due to their meddling in the 2016 election. Why do you not mention that at all when you are discussing these sanctions or the effect of what you guys have done here? Thanks.

SENIOR STATE DEPARTMENT OFFICIAL ONE: I'll start with the second. That was my omission. Certainly, when dealing with the broad array of malign activity that this law outlines and focuses on, we absolutely include Russia's disinformation campaigns undermining democratic processes and cyber activity. That is a focus, that has been a focus, and continues, will be a focus of our engagement with our allies and partners. So we absolutely – that was just my omission in the opening, but it has not been an omission in our engagement with allies and partners. It's been a focus.

With regard to your first question, I can tell you that part of our global effort is we have a term called an ALDAC, an All Diplomatic and Consular Affair Cable. We actually – we sent out as part of an – our engagement an ALDAC. So we have engaged everybody, literally, that we can on this. And then as we get information in on potential – or information on

potential deals or potential sanctional activity, we then have more tailored demarches and outreach engagement where we either go out to the field, have those discussions in capitals around the world or here in Washington. So it's both global and it's also very focused and tailored when we have particular instances of concern that we want to focus on.

MODERATOR: Okay. Michelle from CNN.

QUESTION: Thanks. When the Secretary of the Treasury today talked about there will be sanctions related to this in the near future, what can you say about that? And also, why was that not mentioned yesterday where it seemed that you were focusing more on the fact that if this works as a deterrent, you won't need any more sanctions? I mean, Mnuchin is saying that sanctions are coming and soon. So can you kind of explain the discrepancy there, as well as any more detail?

And as a separate question, we know that the Russian head of intelligence was in town last week. Did he meet with anybody at the State Department, and specifically concerning this issue? Thanks.

SENIOR STATE DEPARTMENT OFFICIAL ONE: So let me take those – I'm forgetting if it's first, second, or second, first. But I can say Secretary Mnuchin was referring to Section 241, and not 231, so I'll let you redirect that question to him and to the Treasury Department on that.

I can say generally, on deterrence versus sanctioning, I mean the sanctions tool is used – we use the sanctions tool in a flexible way both for deterrence, but we also obviously – we do sanction, right? You can't always – deterrence doesn't always work and you have to be ready, and we are ready to use the tool when we deem it appropriate.

So for example, just on Friday, of course, we issued a significant and large tranche of maintenance designations against a variety of Russian targets, separatists in eastern Ukraine, et cetera. We certainly do issue sanctions. We don't only rely on them to be a deterrent. So it's a variety of things.

The deterrence, also remember, is not just leading to a lack of business, but it actually turns into real – a real loss of money. It can – it has a very tangible impact when deals don't go through. For example, in this situation in 231, in this instance, where money actually doesn't flow into the Kremlin, so that's powerful as are actual sanctions when we choose to use them as well.

MODERATOR: Okay. Andrea from NBC News.

QUESTION: Hi. Thank you for doing this. Can you help us with – if you can't talk about the amount of money involved in these deals, can you give us any metric by which to analyze the success of the program?

Given the fact that Mike Pompeo briefed and is – or rather, in his interview with BBC said that Russia's role is continuing and he anticipates it will be active and aggressive in the 2018 campaign, how are you deterring them if they are still as active as they were before?

And can you give us some insight into how you develop your lists of who should be sanctioned? Given what we now know about the way the Treasury late last night developed their lists, do you also refer to public sources and to Forbes Magazine in analyzing who should and should not be on the list within the Putin circle?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Right, so we developed – starting when we were delegated this authority on September 29th, we developed a comprehensive approach on how we were going to implement this provision, including – that includes, of course, how we would deploy it, how we would sanction targets, and under what criteria. And that’s a little bit of what I answered to Josh Lederman’s question about a multivariable definition of the term “significant.” So we have a strong framework through which we’re implementing this provision. That’s what we’ve used as we have gone out across the world and engaged countries that may be involved or thinking about being involved in activity that could be sanctionable. So that’s a fairly comprehensive and very robust approach that we have.

How we deter – how we deter Russia, we have a variety of tools, right? We’re only today talking about Section 231. We have a variety of sanctions tools that CAATSA has given us. We also have close cooperation with our European allies where we can – where we discuss a variety of ways that we can counter the Russian threat that’s a common threat to us all. It’s not only about sanctions and it’s certainly not only about 231, but it’s one tool of many that we have in the toolbox.

MODERATOR: Okay. Conor from ABC News.

QUESTION: One of the other goals of the legislation, of course, was to punish Russia for that interference in the election. So now that there have been no sanctions so far, has Russia been punished enough specifically for that interference?

SENIOR STATE DEPARTMENT OFFICIAL ONE: This is an ongoing process, as I said at the very beginning. January 29th was not a deadline, it was a start date. And so this is an ongoing process; our engagement with partners and allies is an ongoing process. The ultimate goal, like you said, is to stop important revenue from going – from flowing into the Russian Government. As a punishment, as a reminder of the cost of their malign activity, you will see results publicly when we roll out sanctions, like we did on last Friday, but there are also plenty of results and successes that you won’t necessarily see through our engagement with our partners and allies in countries around the world.

MODERATOR: Okay. Nick from Bloomberg News.

QUESTION: I just wanted to be – to press a little bit more. Is there any specific detail you can give us on the exact number of the deals that were deterred and possible countries where those deals were deterred?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I can’t go into the specifics of our discussions with counterpart countries.

MODERATOR: Okay. And our final question goes to Boris from TASS.

QUESTION: Hi, can you hear me?

MODERATOR: Yes, we can.

QUESTION: Okay, thank you. I have question about your – yesterday’s announcement. So you said that when and if we have sanctions to announce, then we’ll do so. So I have a question: Do you have some kind of triggers in all the actions of Russia that could lead to new sanctions or kind of new restrictions against Moscow? Thank you.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Yeah, thank you for the question. So in the guidance that we issued on October 27th, we detail exactly the criteria that we would look at in order to impose sanctions, and that includes how we would define a significant transaction with the defense or intelligence sectors of the Russian Federation. So we will – we will rely on that guidance which we issued publicly to move forward in implementing this provision.

MODERATOR: Okay, everyone, thank you so much for joining us. We appreciate your questions. And to my State Department colleagues, thank you so much. Hopefully this helped clarify some things, and we will look forward to seeing you all very soon. The embargo has now been lifted. As a reminder, Senior State Department Official is the designation to use – another word for designation. Thank you.

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