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RUEHLO/AMEMBASSY LONDON PRIORITY 1532

RUEHOT/AMEMBASSY OTTAWA PRIORITY 1839

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SUBJECT: MOVING FORWARD ON COORDINATED NATIONAL MEASURES

Classified By: Economic Minister Counselor Tom Delare for reasons 1.4 (b) and (d)

1. (C) SUMMARY: The December 12 meeting in Rome of the "likeminded group" that focused on the implementation of national measures on Iran usefully brought Australia, Canada, Japan, and the Republic of Korea into the group (previously limited to France, Germany, Italy, the United Kingdom, and the United States). The meeting also facilitated general updates on Iran's nuclear and missile programs, implementation of Iran-related UNSCRs (particularly 1803), and demarches delivered under the aegis of coordinated national measures activity. The group agreed to continue collaborating on joint demarches to key countries

of concern and to meet in January via digital conference, after permitting the new participants additional time to consider and discuss this activity within their respective systems. END SUMMARY.

¶2. (S) The meeting began with Italy's short overview of international efforts to prevent Iran's acquisition of a nuclear weapons capability. Acting A/S McNerney described the status of Iran's nuclear and missile programs, stressing the urgency with which we must confront Iran's ongoing development of sensitive nuclear fuel cycle and missile capabilities. The general sense of the delegations was that 2009 would be a critical year in the evolution of this issue and of the international response. Optimism was expressed that 2009 could potentially see success, due to the combination of pressure on Iran from the financial crisis, its own economic mismanagement, the low price of oil, and sustained economic measures by the international community.

¶3. (C) Italy stressed, however, that these circumstances demand additional action by the international community to sharpen Iran's perception of the consequences of its choice of confrontation over cooperation. Playing on the "freeze for freeze" proposal conveyed by the P5 1 to Iran, French representative Martin Briens commented that stagnation in the UNSC track attributable to Russia and China led to a de facto "freeze for free." Italian chair Emanuele Farruggia noted that a robust implementation of UNSCRs 1803 and 1835 (adopted in 2008) would be particularly helpful in heightening pressure on Iran. He praised the EU's successful entry-into-force of the Common Position executing UNSCR 1803 and noted that due diligence on the export controls aspect of the UNSCRs is essential to stop Iran's acquisition of strategic materials.

¶4. (C) The like-minded group discussed respective efforts to implement the UNSCRs and their impact, as well as the recent guidance issued by FATF on implementation of the financial provisions of UNSCR 1803. DAS Glaser stressed that the financial obligations that exist under a series of UNSCRs; the FATF statement on the need for strengthened preventive measures on Iran; and other measures taken by groups such as the European Union that go beyond the obligations of UNSCRs, have created a broad international framework that give the group the opportunity to act together in a coordinated manner against Iran. Glaser noted that a dynamic now exists within the private sector that tends to isolate Iran. Two years ago, few if any European financial institutions avoided Iranian business, though today financial institutions seeking to capitalize on opportunities in Iran are becoming outliers and those avoiding it due to the risks involved are now the majority. Glaser stated that this group of like-minded countries could be the beginning of creating a similar dynamic among governments. Glaser argued that the group needed to take strong action to make it easier for other governments to act, and pointed out that the UAE's recent steps on this issue had followed the EU's actions to implement UNSCR 1803. Glaser suggested there were several potential coordinated actions on which the group should focus its attention, including limiting correspondent relationships with Iranian banks, restricting Iranian banks, activities within the group members, respective jurisdictions, and engaging with the insurance sector regarding the risks posed by business with Iran.

5.(C) Canada noted that its implementation of UNSCR 1737 usefully put the onus on Canadian financial institutions to certify that transfers to Iran would not benefit sanctioned entities or individuals, leading to a strong disinclination among financial institutions to accept any business with Iran. Canada also said it had an authority that potentially could allow it to take the types of actions Glaser described, but it would require an international organization of which Canada is a member to call for the sanction, or for Canada's cabinet to make a

decision based on a threat to international peace and security. ROK Embassy representative Youngshin Kang noted that his government had recently imposed sanctions on Bank Saderat due to evidence of its financing of terrorism, ending transactions with the bank and freezing its assets. Kang stressed, however, that the ROK imposed the less restrictive requirement of close vigilance on Bank Melli because the ROK did not have enough information on the bank's illicit activities. Other delegations offered to share with the ROK information on both banks to facilitate further ROK action. The UK reported that it now had the act on a national basis to implement actions similar to what Glaser described, but it would require either a FATF statement or a determination by the UK government that there was a threat to the UK arising from money laundering, terrorist financing or proliferation financing activity. The UK reported that it was currently sending out test scenarios to banks so that they would be prepared to act if a decision is made to take such action.

¶6. (S) The group then segued into a discussion of the national measures effort based on the paper provided by France. Briens described the content of the paper and the scope of the efforts, highlighting the considerable menu of options for further action. In particular he noted catalytic converters for refineries as a promising area for cooperation as Iran is dependent upon this foreign technology and only about seven firms worldwide are capable of supplying these parts. DAS Glaser delivered a briefing on Iran's efforts to evade international sanctions, using a past example regarding Bank Sepah. The United States tabled a paper describing possible approaches to the major uranium producing companies (supplementing previous efforts to reach out to uranium producing countries), and it was agreed that coordination on the points and targets would take place among capitals via email. That said, Acting A/S McNerney stressed that we should not consider each demarche conducted as "a one-shot deal." Instead, we must all continue to follow up on demarches and focus on actions that our governments can take as much as on demarches to other states, she said. Acting A/S McNerney pressed the group to review and approve the delivery of the U.S.-provided deceptive financial practices paper, and the group agreed to do so prior to the next meeting of the group.

¶7. (C) During the meeting, there was discussion of coordinated action in response to the FATF's October statement on Iran. France stated that the FATF October statement gave France sufficient authority to take strong legal action to restrict correspondent relationships with Iran. DAS Glaser concurred and said the U.S. would be willing to join France in such an action, though it was clear that France would prefer that other European countries joined in such an action as well. The UK and Germany both made encouraging statements in this regard, but were ultimately non-committal. France suggested holding a G-7 meeting before the next FATF Plenary in late February to coordinate such actions. Glaser stressed the need for any such G-7 meeting to be held in early January to allow enough time to ensure that the actions the group takes occur before the February FATF meeting. DAS Glaser also emphasized that G-7 consensus was not required and that if holding a full G-7 meeting were too cumbersome, a smaller group of some of the G-7 countries should nevertheless coordinate and act together.

¶8. (C) The UK informed the group that British officials had engaged the UK protection and indemnity (P&I) clubs and would speak next week with the International Group of P&I clubs, a consortium of the 13 worldwide P&I clubs. The UK stated that they would consider ordering British P & I clubs to exclude IRISL vessels, but that they would first need to attempt to share derogatory information on IRISL with the British P & I clubs and would also at least need to make some efforts to minimize the chances that the IRISL vessels could join P and I clubs in other jurisdictions. In this regard, the UK suggested joint demarches to countries where P&I clubs are located. The UK also indicated that it had spoken with the Bermudian prime minister since one of the P&I clubs is

headquartered in Bermuda. The prime minister asked for additional information on the proliferation activities of IRISL. Acting A/S McNerney noted that the U.S. had also demarched Bermuda. DAS Glaser stressed that IRISL was mentioned in UNSCR 1803 and that the U.S. had provided information on IRISL's proliferation activities as part of the September 10, 2008 U.S. designation of IRISL under E.O. 13382.

¶9. (S) There was a brief discussion of conventional energy issues, led by France. Briens reviewed the joint demarche history on oil/gas issues and stressed that French companies were particularly sensitive to indications that their competitors in likeminded states might not be as forward-leaning in declining deals with Iran as French firms have been. Briens then raised the issue of sensitive item transfers, separate from the uranium supply issue. Acting A/S McNerney welcomed comments on the U.S. list provided to partners on 8 October 2008 and noted that the United States is seeking information on the suppliers of these items with the intention of supporting future demarches.

¶10. (C) The meeting concluded with a brief discussion of the logistics of the group and its meetings. Briens underscored the confidential nature of the group's proceedings, arguing that although we want Iran to know that many countries are seeking to put pressure on it, there was no intention for this group to become a publicized forum. To the likely chagrin of the Italians, (who had previously expressed interest in having France, Germany, Italy, the United Kingdom, and the United States form a "core group,") each of the other members of this group stressed that - assuming they wished to participate - there would be no distinction made between original and new participants. Acting A/S McNerney strongly urged for better coordination before demarches are sent to our posts, in order to prevent some glitches that have occurred recently in their execution; all participants agreed.

11.(SBU) ISN Acting A/S Patricia McNerney led the U.S. delegation, joined by Treasury DAS Daniel Glaser, Political Minister-Counselor Barbara Leaf, ISN's Richard Nephew and Anthony Ruggiero, EEB's Sonata Coulter, NEA's Sarah Groen, Treasury's Jennifer Fowler, and Embassy Rome EconOff Chris Curran. Foreign participant list available upon request to ISN/RA.

¶12. (SBU) Acting A/S McNerney and DAS Glaser cleared this cable. SPOGLI