



## Remarks on Darfur and Sanctions

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**Adam Szubin, Treasury Department Office of Foreign Assets Control Director; and Andrew Natsios, Special Envoy to Sudan**

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**DEPUTY SECRETARY NEGROPONTE:** Good morning. I'm accompanied this morning by Special Envoy for Sudan Andrew Natsios and the Director of the Treasury Department's Office of Foreign Assets Control Mr. Adam Szubin who will offer you more information on the President's announcement this morning on the new sanctions on Sudan. I will make a brief statement and then my colleagues will answer your questions.

At the Holocaust Museum on April 18, the President said that the United States would impose further sanctions if the Sudanese Government did not allow the full deployment of a United Nations peacekeeping force and begin living up to its commitments to end the humanitarian crisis and killing in Darfur. President Bashir has failed on all counts.

The genocide that has taken the lives of hundreds of thousands of people and displaced an estimated 2.5 million continues. The Sudanese Government has failed to implement its obligations under the Darfur Peace Agreement of May 2006. Specifically it has failed to disarm the Janjaweed militias and in concert with them, it has continued to launch aerial and ground attacks on rebels and civilians. It has failed to provide the people of Darfur with the political and economic opportunities they deserve. And it continues to obstruct the flow of humanitarian aid.

None of this is acceptable to the United States and we think that none of it is acceptable to the world's community. We therefore are consulting closely with the member-states of the United Nations Security Council with United Nations Secretary General Ban and other nations who can raise the pressure on Khartoum for an immediate change in policy.

At the United Nations we will work with the United Kingdom and other members of the Security Council on a Chapter 7 sanctions resolution to expand the embargo against the Government of Sudan and impose a binding ban on military flights over Darfur. We will also work to strengthen financial sanctions against Sudan. We will seek to widen the criteria for designation of individuals and entities for sanctions under United Nations Security Council Resolution 1591. We will continue our support for United Nations and African Union efforts to restart Darfur political negotiations while Secretary General Ban pursues engagement with Khartoum on the United Nations/African Union hybrid peacekeeping force. We strongly support Secretary General Ban's efforts and believe our action today will bolster them.

In Europe we ask that our friends impose financial sanctions that match our own, either through European Union mechanisms or bilaterally. The Bashir government must see that its actions will choke off international investments that are very important to Sudan. We do not believe that other governments will wish to associate themselves with the Sudanese as they persist in a policy of genocide and cynically obstruct international assistance. There is no good argument for giving the Sudanese more time. The Sudanese Government has shown what it does with more time. According to a United Nations report on May 3rd, for example, the Government of Sudan used Antonov bombers to attack the village of Al Hosh for four hours. This credible report and many others demonstrates that giving Khartoum more time is not the answer.

Finally, let me emphasize that the President's announcement today should not be read as limited to United States sanctions. This is not a unilateral or a bilateral issue. This is an international issue. We will make the case at the United Nations with our allies and with the world community at-large. Again, we believe the Sudanese Government has isolated itself through its actions. Our strategy is to use this isolation to compel Khartoum to live up to its -- to commitments it has long since made and bring the humanitarian crisis and killing to an end.

Now, that completes my prepared remarks and Ambassador Natsios and Mr. Szubin will be pleased to answer any specific questions which you might have. I think maybe Mr. Szubin has a statement to make before that. Thank you.

**MR. SZUBIN:** Thank you Deputy Secretary Negroponte. Good morning. The Office of Foreign Assets Control at the Treasury Department administers financial sanctions to advance our national security and foreign policy goals. I'd like to just briefly expand on the four sanctions measures that we're taking today across the U.S. Government. And then we'll be -- myself and Special Envoy Natsios will be taking questions.

Over the past several months, at the direction of the President, Secretary Paulson and Secretary Rice, we have worked to both expand and to strengthen financial measures against the Bashir regime and other culpable actors in Sudan. These measures fall into four broad categories.

First, as the President announced this morning, we have today designated three individuals and one company under Executive Order 13400, which targets those who commit atrocities and foment instability in Darfur. The designated individuals are: Ahmad Harun, a Sudanese Government minister who has been publicly accused of war crimes by the International Criminal Court in The Hague; Awad Ibn Auf, the director of Sudan's Military Intelligence Office; and Khalil Ibrahim, the leader of the rebel group, Justice and Equality Movement, who is responsible for acts of violence in Darfur and for undermining the Darfur Peace Agreement. We have also designated a company, Azza Air Transport, under this authority, which has moved arms and artillery to Janjaweed militia and Sudanese Government forces in Darfur.

Second, today we designated 30 companies owned or controlled by the Government of Sudan under Executive Orders 13067 and 13412. The targeted companies include five petrochemical companies; Sudan's national telecommunications company, Sudatel; and an entity that has supplied armored vehicles to the Sudanese Government for military operations in Darfur. All of the individuals and companies designated today are cut off from the U.S. financial system. They may not do business with U.S. individuals or companies located anywhere in the world, and any of their assets that come into the possession of a U.S. person must be frozen.

Third, we have stepped up enforcement of our Sudanese sanctions across the board. This means aggressive investigation of the methods and accomplices that the Government of Sudan may be using to circumvent our sanctions and access the U.S. financial system illegally. Those who direct or facilitate evasion of our sanctions should be on notice. We will be vigilant, and the penalties are serious, including potential criminal prosecution.

Finally, our State Department colleagues are working to introduce a new UN Security Council resolution that will reinforce the measures we are taking in the United States, and impose new sanctions against the Government of Sudan and its agents across the world.

Collectively, these measures are aimed at bringing stability and peace to Darfur and ensuring that the Bashir regime takes meaningful steps to alleviate rather than aggravate the suffering that is occurring there. We hope that is the case and we will be watching.

Thank you.

**MR. CASEY:** Thank you. On that, why don't we start with you.

**QUESTION:** Yeah, I just -- have you identified any assets that any of these companies or individuals actually have in U.S. jurisdiction right now? Is that -- or is that something that's just beginning now?

**MR. SZUBIN:** I can't speak to where we have found assets. The -- as of 7:45 this morning, the order on all of these companies and individuals gets disseminated electronically to every financial institution and many other entities in this country and actually around the world. And immediately upon receiving it, they are legally obligated to search their institutions, block assets and report that back to our office, the Office of Foreign Assets Control.

**QUESTION:** Do you have any idea, any -- an estimate of what kind of -- what the amount is that we're -- the total amount that might be involved?

**MR. SZUBIN:** I can't give you an estimate. What we'll do is take back those reports and -- we don't report on individual asset blockings of individual transfers or accounts. We do release figures on aggregate blockings on a yearly basis as to what has come into our system. But I can tell you that the impact is not just in terms of what may be in the United States today or may be sitting in a bank account, but also on transactions that could be coming in tomorrow or in the weeks to come. The U.S. financial system is obviously a key node in the international financial system, both in terms of trade and financial transfers. And the fact that these companies are basically excommunicated from the U.S. financial system is very serious.

**QUESTION:** Well -- but are you aware that there are such assets or that these companies have been using the U.S. financial system?

**MR. SZUBIN:** I can't comment on specific assets or accounts. What I can say is that we do know that these Sudanese entities are very interested and have used the U.S. financial system in the past.

**MR. CASEY:** Arshad.

**QUESTION:** I have two questions, one a technical one for Mr. Szubin and then one for Special Envoy Natsios. Can you help us understand better the implications of this beyond the U.S. financial system so that we get the broader implications? For example, does this mean that, say, a European bank that happens to have an American subsidiary will now think twice or will not be willing to engage in a transaction with one of the designated entities? So that's my first question.

My second question for Mr. Natsios is, to what extent have you spoken to the Chinese about broadening sanctions in the UN? What reason, if any, do you have to believe that the Chinese, who -- this morning, their special envoy for Darfur is quoted as saying these sanctions make it harder to resolve this, not easier. What reason, if any, do you have to believe that they will go along with or acquiesce in broadening UN sanctions against Sudan?

**MR. SZUBIN:** With respect to the first question, it is incumbent on any subsidiaries in the United States to immediately comply with all of the steps that I set out above. If there is a foreign parent, obviously, our jurisdiction does not reach them. As a matter of compliance, we have seen some banks taking steps to reevaluate their relationships perhaps out of their own concerns about what the Government of Sudan is doing, concerns about what may be coming at the United Nations or other multilateral sanctions, in addition to concerns about compliance with U.S. law.

**MR. NATSIOS:** The issue of Sudan, of Darfur has now -- is now on the bilateral agenda diplomatically between the United States and China. It has been brought up between President Hu and President Bush. Secretary Rice brings it up with the Chinese Foreign Minister; so does John Negroponte. I brought it up on numerous occasions. I have met with the Chinese Ambassador to the United States and with Ambassador Wong at the UN.

And they know where we are on this, they know how important it is, they know this is a critical issue not just to the United States, but other countries. The Chinese are attempting now to expand their trade and their presence in Africa. This issue is infuriating the Africans and I think the Chinese know that. I might add that last December, the Chinese also established diplomatic relations for the first time with Chad and have bought a substantial portion of the oil industry in Chad. And so they now have a vested economic interest in seeing that there's peace between Chad and Sudan. I might add that without peace between Chad and Sudan, there's not going to be any end to the war in Darfur. So we have many indications that the Chinese position is evolving. They have been much more helpful than may be apparent publicly. They don't like to publicize a lot of the things they do. They're very quiet about their diplomacy, simply the custom of their diplomatic system.

I can give you a whole list of things they've helped us with. So I think the Chinese support for an effort to end this in a just way is there. They played a critical role in Addis. November 16th, we agreed to their Addis protocol and since then as well.

**QUESTION:** But they did come defiantly at the UN and say that they did not support sanctions as a way of cracking down. They did not think economic pressure worked. So what are you looking for from them if they don't believe in sanctions?

**MR. NATSIOS:** Well, you know, you'd use different language when you describe your position on issues. And we've noticed some language they have used would indicate to us that they're -- I think they would like to resolve this without sanctions. It's very clear; that is their position. They don't like to interfere in the internal affairs of other countries, but they've done a number of things in the last few months that go far beyond what they're typically disposed to do on a diplomatic issue of this sort. So I think the Chinese position is actually more forthcoming than it may appear -- may be apparently publicly.

**QUESTION:** Didn't -- Andrew, didn't the initial Plan B talk about borrowing the Sudanese oil industry from dollar transactions, which would have been a really serious sanction? If that's the case, why didn't you go forward with something really strong? A number of people I've talked to this morning said that these sanctions are meaningless, that the Sudanese oil industry has learned how to function quite well and simply, companies change names and they'll reappear the next day. How will you deal with that problem?

**MR. SZUBIN:** Maybe I can answer that. What we've announced today, including the sanctions against additional Sudanese petrochemical companies, effectively will forbid them from accessing the U.S. financial system, which is the predominant source for all major trade in the U.S. dollar.

As your question indicates, there are efforts underway to circumvent our sanctions and that was what I spoke about when I said an aggressive, stepped-up enforcement effort by the entire U.S. Government, including the Treasury. To the extent that companies are trying to use nested accounts or front companies to move money through our system; that is a violation of our law and it's something that we're going to be investigating and are investigating very seriously.

**QUESTION:** But the Sudanese can still sell their oil to the Chinese and the Malaysians without any problem. These companies that you've listed here are not the major companies dealing with that.

**MR. SZUBIN:** The companies that we listed today are in addition to the companies we have previously listed. They, as a set, comprise what I believe to be the Sudanese Government-owned petrochemical companies, including the Sudan Petrochemical Company -- I'm sorry, Sudan Petroleum Company, the Sudanese Petroleum Company, Greater Nile Petroleum Company. These are the largest oil conglomerates that the Government of Sudan uses to receive assets and to enter (inaudible).

**MR. NATSIOS:** Let me just add --

**QUESTION:** So let me understand. Can they sell oil --

**MR. NATSIOS:** Let me just --

**QUESTION:** -- for dollars to the Chinese and the Malaysians (inaudible)?

**MR. NATSIOS:** But let me make the comment, because what you're getting to is something that some of the more extreme advocates are suggesting. No matter what we propose, they'd say it's meaningless and they propose something more extreme, okay? So you can never satisfy the more militant people on this issue. The purpose of these sanctions is not sanctions; the purpose of these sanctions is to send a message to the Sudanese Government to start behaving differently when they deal with their own people. That's what this is about.

There are five things we want the Sudanese Government to do. One, to stop bombing, okay? They did stop bombing from February 11th until the 21st of April. They started bombing again and they've continued that. They -- in violation of the agreements we reached with them, President Bashir said "Yes, we would stop doing these bombings of the rebel peace agreements."

Number two, they have in their hand now, the Sudanese Government, Ban Ki-Moon's plan, which is to implement phase three of the Addis protocol. Phase three is called the Hybrid Force. It's 23,000 troops, including the troops that are already on the ground. They would receive that last Thursday or Friday. We want them to approve that without a two-month delay, which is what happened on the heavy support package and when they responded to it, they had 14 pages of objections to 90 percent of the plan. They rejected 90 percent of the plan effectively. We want President Bashir to approve, right now, the Hybrid plan as it was submitted by Ban Ki-Moon, as it's written now, without delay and without any more amendments.

The third thing is we want them to cooperate on the peace process, which is what this is all about. The only way to end this conflict and to get people back to their homes is a political settlement. Now the rebels are a problem in some of this. I mean, the American news media focuses exclusively on the Sudanese Government and I think they should focus, given the crimes that have been committed. However, some of the rebel groups are as obstructionist as the Sudanese Government is and that's why -- because the head of JEM, an Islamic fundamentalist rebel movement, was sanctioned because they have obstructed the peace process. And I might add if we find the rebels are continuing to obstruct that process, there's going to be more pressure put on them.

The fourth thing is on the 28th of March, they signed a humanitarian protocol which Jan Eliasson and I and other people in the international community negotiated with the Sudanese Government to give more humanitarian space to the NGOs and the UN agencies that are keeping people alive, 2.5 million people in these camps. They've implemented parts of that. We want them to fully implement what they agreed to two months ago.

And finally, under the DPA, they said they would disarm the Janjaweed. They have not done that. In fact, the Janjaweed are continuing their attacks. And so there are five things we want them to do. We'll see whether or not they do what we're asking, okay? And that's what counts here. And if I could just say -- let me --

**QUESTION:** But you still haven't answered my question.

**MR. NATSIOS:** We did answer your question. The fact is the major oil companies that are associated with the Sudanese Government that provide a lot of the revenue for this war effort are on the list. They have gone on the list before. The most important part of the President's announcement this morning in terms of the actual coercive measures are the enforcement mechanisms. Now we're not going to go into the detail of them. Adam's talked about some of this stuff. I can tell you this is very powerful because we've seen intelligence at what effect it has elsewhere. It's very powerful and it does make a difference and the Sudanese have been trying for one month to stop this from happening. If this was irrelevant, why have they gone to the extent that they have to stop us from doing this? That's my question.

**QUESTION:** So this is Plan B.

**MR. NATSIOS:** You can call it anything you want to. If you look at my testimony --

**QUESTION:** What if the Sudanese were to sell their oil in euros, or --

**MR. NATSIOS:** If you look at my testimony in February before the House, this is what I described. If you look at the testimony before the Senate, this is what was described. In fact, weren't you at the hearing? I think you were at the -- one of the hearings. The Senate -- the Senate Hearing.

Yeah.

**QUESTION:** So, how do the Sudanese then go about selling their oil? Do they have to denominate it in euros? Do they -- you know, I mean, presumably they're going to continue to sell their oil.

**MR. SZUBIN:** I'm not going to outline how the Sudanese can circumvent our sanctions. (Laughter.) If the Sudanese are engaging in transactions that don't touch the U.S. financial system, of course that's outside of the Treasury Department's jurisdiction, so long as no U.S. person is involved. That said, as the President announced and as Deputy Secretary Negroponte discussed, there are ongoing discussions at the UN about global measures that would prevent any kind of financial transactions anywhere in the world. There are, of course, already certain targeted financial measures in place at the UN, with respect to named, designated individuals who have had a role in the Darfur crisis, and I think we're going to see that effort continue and expand.

Any time we're talking about a U.S. sanction, there's an ability to construct hypotheticals, alternatives through which somebody could circumvent it. But that's why, as the Special Envoy mentioned, we have such a focus on aggressive enforcement to try to preempt and interdict those kinds of payments. Certainly, the international trade partners of Sudan want to continue to use the most simple and efficient payment mechanisms they can, and that has traditionally been the dollar, especially in the oil markets.

**DEPUTY SECRETARY NEGROPONTE:** Let me also add that about two months ago, at the request of the Europeans, we held a meeting in this building that Adam spoke at in depth as to exactly how the measures would work. How would these new enforcement mechanisms work in the American financial system, because they're thinking about this. I met with the equivalent of the Foreign Minister of the European Union in December, Mr. Solana -- Dr. Solana, and our objectives, the European objectives, the American objectives are the same. I think they're very concerned about this, and I think there's a lot of discussion in Europe now as to what the Europeans can do to put pressure on the Sudanese Government on the economic side.

So we know the Europeans are looking at this. They requested that meeting. I mean, why else would they have had the meeting?

**QUESTION:** The U.S. is obviously signaling a loss of patience with the process as it's going, and I'm just wondering if you could tell us anything more about why now. What was the trigger to decide to go for this now?

**MR. NATSIOS:** The President gave his Holocaust Museum speech about a month ago, and we've seen a pattern of behavior since then on the part of the Sudanese Government to renew bombings; to use various diplomatic means to slow down the process for the implementation of the peacekeeping force that would go in under the Addis Agreement of last year. I've gone through many of these points before. So, the trigger now, right now, is President Bashir has before him the actual plan, which is the most critical part of this, because it was the part that they didn't fully agree to, November 16<sup>th</sup>. All the things they've done so far, including the heavy and light support, they agreed to unconditionally November 16<sup>th</sup> of last year. The thing they didn't agree to -- it was the hybrid heavy support -- the hybrid phase three, and that is what is before them now in a plan (inaudible) document. And so what's led us to this particular point at this particular time is the fact that the critical element that has been

unresolved is that document.

**QUESTION:** Can I also ask you about the status and the potential makeup of this proposed hybrid force. Can you tell me what nations, if any, are really ready to send in ground troops at this point?

**MR. NATSIOS:** No country is going to agree to anything under phase three until there's some agreement by the Sudanese Government that they're going to allow them in. Once that happens, once the Sudanese Government has agreed to the UN/AU operational plan under phase three -- the "hybrid", as it's called -- then an appeal will go out from the Secretary General to nations -- what we call TCCs, Troop Contributing Countries -- potential Troop Contributing Countries. We have had informal conversations, the Secretary has -- Secretary Rice has. I know President Bush has talked to some heads of state about forces that would be available. And under the heavy support package, phase two, we have a number of offers of support from the Pakistanis, the Nigerians, the Egyptians and I think a couple -- I think the Norwegians and Swedes have offered a battalion of engineers.

Now, I might add, one of the interesting parts of all this is countries are unwilling to make a commitment under phase two unless there are combat troops under phase three to protect their troops. That's not an unreasonable request. And so one reason the Sudanese keep saying we'll enforce phase one and two, and then we'll agree to phase three, is they know we can't get to phase one and two, unless they agree to phase three. And that's the Catch-22 in all this, which they're very, very shrewdly playing on diplomatically to obstruct this whole thing.

**QUESTION:** But what's your general sense? Are you confident you'll be able to build a 23,000 strong force?

**MR. NATSIOS:** We have a number of countries. For example, the Rwandans have offered two more battalions -- combat battalions. And so we know countries -- the Rwandan troops, by the way, are excellent troops, very good troops. So we do have offers informally. But we're not going to get the real offers until we get the Sudanese Government's approval on that plan.

**QUESTION:** Would the United States consider sending in ground troops?

**MR. NATSIOS:** I think that if we had no other events going on in the world, I would advise against it because President Bashir is using the presence of western troops, the potential presence of western troops, as a way of rallying support in -- against the United Nations and against the African Union. So, right now I don't think that would be very advisable and I think we have to be very careful what we say, even domestically for some of the advocacy groups.

**MR. CASEY:** I think we have time for like one more, two more in here. So we'll go to (inaudible.)

**QUESTION:** I have just a basic question because I guess I don't quite understand what, given the realities on the ground, do you expect the practical effect of this to be?

**MR. NATSIOS:** Of what the President announced today?

**QUESTION:** Yeah.

**MR. NATSIOS:** We expect that -- my observation of Sudanese negotiating behavior is they don't change their position unless pressure is put on them. This is another instrument of pressure to put the Sudanese Government, the proposition to the Sudanese Government that they need to act now to approve these measures in the force that they've already agreed to. That's what we expect to happen. We expect the pressure will have an effect on Sudanese cooperation with the UN and the AU.

**QUESTION:** And if it doesn't, are you prepared to take other steps?

**MR. NATSIOS:** I mean, we're going to look at other options on the table, but the reality is we're going to take this step by step. And right now we've taken a major step and we're going to see what happens.

**MR. CASEY:** (Inaudible) and then this will be it.

**QUESTION:** Andrew, can you go over the discussions, if any, with Ban Ki-moon in the last couple of weeks? I mean, he's been very -- argued very strongly for more time for diplomacy? Did you brief him on this? Did you get pressure from the UN (inaudible) to delay?

**MR. NATSIOS:** The Secretary briefed him.

**QUESTION:** And what was the response?

**MR. NATSIOS:** I actually -- I haven't read the transcript, so I can't tell you all the details on it. I really haven't. I know the Secretary's been in weekly conversation on many issues, but this always comes up and he expresses his opinion. I mean, you'd have to ask him.

**QUESTION:** Well, is there concern that this might complicate his diplomacy?

**MR. NATSIOS:** I don't think this is going to complicate his diplomacy. In fact, I think it's the opposite. I think this is going to support his diplomacy. That's the purpose of this is to support the UN's negotiating effort to get the Sudanese to agree to something that they've been stonewalling since last November 16th.

Yes.

**QUESTION:** (Inaudible) at the UN, when you get to the resolution that you were looking for Chapter 7 and that no -- my guess, were basically going to be no-fly zones, who --

**MR. NATSIOS:** (Inaudible) has embargo.

**QUESTION:** Yeah. Who do you have in mind that's going to enforce this? The French?

**MR. NATSIOS:** Well, there's no mechanism in the actual resolution. I haven't read the text of it. You don't put in UN resolutions who's going to enforce it. You simply allow member-states to enforce it.

**QUESTION:** Exactly. So you know, who's going to do that?

**MR. NATSIOS:** I mean, we'll have to have those conversations if the sanctions resolution --

**QUESTION:** But if there isn't anybody that has any -- African air forces are not exactly the -- you know, the best there are at enforcing these kinds of things.

**MR. NATSIOS:** I understand that.

**QUESTION:** The French have a big --

**MR. NATSIOS:** We're going to get the resolution force through -- the resolution document through first.

**QUESTION:** So there has been no thinking about who might --

**MR. NATSIOS:** There's been a lot of thinking, but I'm not going to discuss it here in front of all of you.

**QUESTION:** Okay. Well.

**MR. NATSIOS:** Okay.

**QUESTION:** Good luck, then.

**MR. CASEY:** Thanks, everyone.

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