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IRAN SANCTIONS: OPTIONS, OPPORTUNITIES AND CONSEQUENCES

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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IRAN SANCTIONS: OPTIONS, OPPORTUNITIES AND CONSEQUENCES

TUESDAY, DECEMBER 15, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. John F. Tierney (chairman of the subcommittee) presiding.

Present: Representatives Tierney, Lynch, Quigley, Foster, Duncan, Flake, Jordan, and Leutkemeyer.

Staff present: Mariana Osorio, Daniel Murphy, Matt Ploszek, Aaron Wasserman, and Robyn Russell, legislative assistants; Andy Wright, staff director; Elliot Gillerman, clerk; Talia Dubovi, counsel; Adam Fromm, minority chief clerk and Member liaison; Tom Alexander, minority senior counsel; Christopher Bright, minority senior professional staff member; and Brien Beattie, minority professional staff member.

Mr. TIERNEY. A quorum being present, the Subcommittee on National Security and Foreign Affairs' hearing entitled, "Iran Sanctions: Options, Opportunities and Consequences," will come to order.

I ask unanimous consent that only the chairman and ranking member of the subcommittee be allowed to make opening statements. Without objection, so ordered.

I ask unanimous consent that the hearing record be kept open for 5 business days so that all members of the subcommittee be allowed to submit a written statement for the record. Without objection, it is so ordered.

Good morning, particularly to our witnesses, who were kind enough to come here and share their testimony with us today.

We are going to examine an important and timely national security issue in the options and effectiveness of sanctions against the Islamic Republic of Iran.

2009 has been a turbulent year in U.S.-Iran relations. Last January we inaugurated a President ready to pursue diplomatic engagement, and this past April marked the 30th year of the Islamic Republic's history. In November we remembered the 30th anniversary of the Iran hostage crisis, and the June 12th Presidential election and its tumultuous aftermath shook Iran's government like no other event in the last 30 years. In September, United States and Iranian officials held direct bilateral talks at the highest level since

Iran's Revolution; yet Iran and its nuclear program still present significant challenges to the United States and to the international community.

Nearly a year after President Obama extended a hand to Iran in his inaugural address, we have yet to see Iran unclench its fist. Instead, Iran continues to develop its nuclear program in the shadows. It claims that its nuclear program is designed for peaceful civilian purposes; yet, it refuses to cooperate fully and transparently with the International Atomic Energy Agency and its inspectors. That raises significant concerns about the true nature and intent of Iran's nuclear ambitions.

Last September, the United States, along with its allies, disclosed that Iran had long been building a secret nuclear reactor in Qom. This revelation was followed last month by an official U.N. resolution condemning Iran's failure to disclose the site, as required under the Nuclear Non-Proliferation Treaty. The resolution was approved with strong international support by a 25 to 3 vote, with both Russia and China voting in favor of condemning Iran.

There are many strong options, both within the United States and around the world, on how best to manage the many challenges that Iran presents. I think that many of us support the President's strategy of engagement, but if that fails to bear fruit, then a lot of us are contemplating what must be the next step, and that is what brings us together here today. We have assembled a distinguished panel of experts to share with us their thoughts on the vital national security question at hand.

Just on the personal side of this, I just want to make a couple points. I don't think that anybody condones the fact that Iran has nuclear weapons or is moving in that direction, and we think that Iran with nuclear weapons is a major threat to American interests. It is a threat to Israel, a threat to peace and stability in the Middle East. Any program to which they may have a right, as a party to the Nuclear Non-Proliferation Treaty, must be peaceful, civilian, open, transparent, and subject to inspection by the International Atomic Energy Agency.

Disclosure of previously secret nuclear facilities, as we have seen, and the threat to replicate that 10 times over, and a general unwillingness to reasonably engage with the international community, obviously, all of those behaviors exhibited by Iran cause concern. The United States and the international community has made, I think, a considerable effort to negotiate and engage, which has yet to be reciprocated. That was a test for Iran's leadership. If it was serious about its claims that only a civilian nuclear program was being pursued, there was no reason it should not have agreed to export to Russia or elsewhere and allow the IAEA inspections.

So what are our options? Governments and intelligence agencies and other experts agree, or disagree, I should say, on how close Iran is to developing a bomb. Also, many of them agree that any military strike on facilities would likely only delay development by only 1 or 2 years and cause other repercussions. There is considerable disagreement and debate on the value, effect, nature, impact, or usefulness of sanctions. Arguably, sanctions should be used to support, not replace, diplomatic efforts. Should Iran delay negotia-

tions, or if the negotiations should fail, then many feel that strong multilateral sanctions by the international community would be in order, if they were targeted and effective in that regard.

Now, with respect to the Iran Refined Petroleum Sanctions Act of 2009, which the House will be considering this week, personally, I have considerable concerns. The hardliners are in some disarray presently. New sanctions could allow them to consolidate their hold on power and get bolstered support from the Iranian people. Sanctions could heighten support from Mr. Ahmadinejad out of some nationalistic feeling or resentment for how devastating the effect of sanctions might be on the civilian population. It is notable that the two main opposition leaders have spoken against imposition of sanctions, particularly with regard to refined petroleum products.

The restriction on refined oil products could probably be assumed to affect the poor and the middle class in Iran, but it is unlikely that the elites and the Islamic Revolutionary Guard Corps, in particular, would be deprived of the use of any gasoline or other refined products that would come in. And, in fact, they might control any market that existed in them.

So we have a large question here to answer. I think Jeff and others may have a different opinion on that, but I could only support the IRPSA if I was assured that its current language—which I read to mandate the sanctions, as opposed to provide the flexibility of the President to implement them—would either be delayed to a more appropriate time on the diplomatic pressure process that the administration is following or if they will be modified, prior to passage, to provide the President more flexibility. If we get those assurances, then we may get it through the House so that it can go to the Senate and be modified in conference there, if necessary.

Only with more flexibility in exercising sanction authority might the President secure greater cooperation from our partners in taking effective action and ultimately facilitate a change in Iranian policies. Now is a critical stage in the intense diplomatic process, as we seek to impose significant international pressure on Iran. I think the legislator ought to take care not to harm those prospects as they go forward.

So it is with interest that we listen to our experts on the panel here today. We want to make sure that we move in the proper way and the most effective way, and we welcome you and thank you for your testimony.

[The prepared statement of Hon. John F. Tierney follows:]

Statement of John F. Tierney
Chairman
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
U.S. House of Representatives

"Iran Sanctions: Options, Opportunities, and Consequences"

As Prepared for Delivery

December 15, 2009

Good morning. Today, the Subcommittee examines an important and timely national security issue, in the options and effectiveness of sanctions against the Islamic Republic of Iran.

2009 has been a turbulent year for U.S-Iran relations. Last January we inaugurated a President ready to pursue diplomatic engagement. This past April marked the thirtieth year of the Islamic Republic's history. In November we remembered the thirtieth anniversary of the Iran hostage crisis. And the June 12th presidential election, and its tumultuous aftermath, shook Iran's government like no other event in the last thirty years.

In September, U.S. and Iranian officials held direct bilateral talks at the highest level since Iran's revolution. Yet Iran and its nuclear program still present significant challenges to the United States and the international community. Nearly a year after President Obama extended a hand to Iran in his inaugural address, we have not yet seen Iran unclench its fist.

Instead, Iran continues to develop its nuclear program in the shadows. Iran claims that its nuclear program is designed for peaceful civilian purposes. Yet it refuses to cooperate fully and transparently with the International Atomic Energy Agency and its inspectors. This raises significant concerns about the true nature and intent of Iran's nuclear ambitions.

Last September, the United States, along with its allies, disclosed that Iran had long been building a secret nuclear reactor at Qom. This revelation was followed up last month by an official resolution condemning Iran's failure to disclose the site, as required under the Nuclear Non-Proliferation Treaty. The resolution was approved with strong international support by a 25 to 3 vote, with both Russia and China voting in favor of condemning Iran.

There are many strong opinions, both within the United States and around the world, on how best to manage the many challenges that Iran presents. I strongly support President Obama's strategy of engagement. But if that effort fails to bear fruit, then we must step up our efforts to bring Iran in line with international rules and safeguards.

That is what brings us together today. We have assembled a distinguished panel of experts to share with us their thoughts on this vital national security question.

Let me be clear: I have no doubt that an Iran with nuclear weapons poses a significant threat to the United States and our allies, as well as to regional and global stability. There is near universal consensus on this point. Much of the debate around this issue involves sanctions, both at the unilateral and multilateral levels. I have a number of concerns about the effectiveness of sanctions, as well as the potential adverse impacts on the Iranian people. Regardless of one's views on the effectiveness of sanctions, I believe it is important that we view them as merely one tactic, and not as the end-state of a strategy.

In focusing on the threat of Iran's nuclear program, we must also be careful that we do not miss the forest for the trees. In the aftermath of last June's presidential elections, we have witnessed the emergence of an opposition movement that has challenged Iran's government like no other time in the Islamic republic's history.

As we shift from a strategy of regime change to behavior change, we must still be mindful not to undermine Iran's emerging opposition movement as a genuine expression of democratic political dissent.

Similarly, we have an acute interest in Iran playing a positive role in helping to stabilize its two neighbors, Iraq and Afghanistan, without undermining U.S. efforts there.

The purpose of today's hearing is to engage in an open dialogue on these issues and to hear from a variety of perspectives. I look forward to discussing with our witnesses the merits of sanctions, whether they are capable of achieving their desired objectives, and what additional measures the United States should consider.

As President Obama said last Thursday in Oslo, "those regimes that break the rules must be held accountable. Sanctions must exact a real price. Intransigence must be met with increased pressure, and such pressure exists only when the world stands together as one." I hope that this hearing today can bring us one step closer to that goal.

Mr. TIERNEY. With that, I defer to Mr. Flake for his opening remarks.

Mr. FLAKE. I thank the chairman. I look forward to today's hearing.

I, myself, am not a fan of economic sanctions, particularly those imposed unilaterally, so it has to be a pretty high bar, in my view, to go this direction. I share the chairman's concern about the refined petroleum sanctions. I note that there is not a virulently anti-American feeling in Iran among the population, and I hope we can keep it that way; and I am concerned about changing that. I think that we can all agree—and in reading your testimony I think we all agree—that these sanctions will only be really effective if they are multilateral, if we convince our international partners to come with us. My concern is, and my questions will be surrounding, whether or not moving ahead on a unilateral basis is more likely to bring our partners along, or if simply giving the President more flexibility in this regard would be a better option.

I hear all the time we are simply leading on this, we are simply expressing our feelings, that this doesn't tie the hands of the administration. Sometimes you don't start that way, but within months or the next year you are tying the hands of the administration, and I would point to Cuba as a perfect example. When you have the Helms-Burton Act and other legislation, the President's hands are tied; there are very severe limits on what the President can do in response to action on the part of the Cubans or in any other direction. So while this may not start out as an attempt to tie the President's hands, it may quickly evolve into something that does, and that concerns me as well.

So thank you all for being here and I look forward to the testimony.

Mr. TIERNEY. Thank you very much.

I ask unanimous consent to enter into the record the Deputy Secretary of State's letter to Senator Kerry, the chairman of the Committee on Foreign Relations in the U.S. Senate, on this issue. Basically, the letter indicates that he is following up on a conversation that James Steinberg, the Deputy Secretary of State, had with Senator John Kerry, the chairman of the Senate Foreign Relations Committee, regarding Iran and possible sanctions legislation to be taken up in the Senate; and that bill, S. 2799, is very close to the IRPSA bill that we are looking at here.

"The Administration shares Congress's concerns on Iran and its nuclear program and the need to take decisive action. One of the top national security priorities for the Obama Administration is to deny Iran a nuclear weapons capability. As we discussed, we are pursuing this objective through a dual track strategy of engagement and pressure; and we are engaged in intensive multilateral efforts to develop pressure track measures now. It is in the spirit of these shared objectives that I write to express my concern about the timing and content of this legislation."

"As I testified before the Congress in October, it is our hope that any legislative initiative would preserve and maximize the President's flexibility, secure greater cooperation from our partners in taking effective action, and ultimately facilitate a change in Iranian policies. However, we are entering a critical period of intense

diplomacy to impose significant international pressure on Iran. This requires that we keep the focus on Iran."

"At this juncture, I am concerned that this legislation, in its current form, might weaken rather than strengthen international unity and support for our efforts. In addition to the timing, we have serious substantive concerns, including the lack of flexibility, inefficient monetary thresholds and penalty levels, and blacklisting that could cause unintended foreign policy consequences."

"I have asked the Department staff to prepare for and discuss with your staff revisions that could address these concerns on timing and content. I am hopeful that we can work together to achieve our common goals."

"I hope the consideration of this bill could be delayed to the new year so as not to undermine the Administration's diplomacy at this critical juncture. I look forward to working together to achieve our common goals, and I will stay in close contact with you as our diplomatic efforts proceed," by James Steinberg, the Deputy Secretary of State."

I ask that it be entered into the record with unanimous consent. So ordered.

[The information referred to follows:]

THE DEPUTY SECRETARY OF STATE

WASHINGTON

DEC 11 2009

Dear Mr. Chairman:

I wanted to follow up on our conversations regarding Iran, and possible sanctions legislation to be taken up by the Senate (S. 2799). We share Congress's concerns on Iran and its nuclear program, and the need to take decisive action. One of the top national security priorities for the Obama Administration is to deny Iran a nuclear weapons capability. As we discussed, we are pursuing this objective through a dual track strategy of engagement and pressure; and we are engaged in intensive multilateral efforts to develop pressure track measures now. It is in the spirit of these shared objectives that I write to express my concern about the timing and content of this legislation.

As I testified before the Congress in October, it is our hope that any legislative initiative would preserve and maximize the President's flexibility, secure greater cooperation from our partners in taking effective action, and ultimately facilitate a change in Iranian policies. However, we are entering a critical period of intense diplomacy to impose significant international pressure on Iran. This requires that we keep the focus on Iran. At this juncture, I am concerned that this legislation, in its current form, might weaken rather than strengthen international unity and support for our efforts. In addition to the timing, we have serious substantive concerns, including the lack of flexibility, inefficient monetary thresholds and penalty levels, and blacklisting that could cause unintended foreign policy consequences.

I have asked Department staff to prepare for and discuss with your staff revisions that could address these concerns on timing and content. I am hopeful that we can work together to achieve our common goals.

I hope that consideration of this bill could be delayed to the new year so as not to undermine the Administration's diplomacy at this critical juncture. I look forward to working together to achieve our common goals, and I will stay in close contact with you as our diplomatic efforts proceed.

Sincerely,

James B. Steinberg

The Honorable
John F. Kerry, Chairman,
Committee on Foreign Relations,
United States Senate.

Mr. TIERNEY. Now we will receive our testimony from the panel before us today. I will just give a brief introduction of our witnesses as they appear on the panel.

Dr. Suzanne Maloney is a senior fellow with the Brookings Institution's Saban Center for Middle East Policy. Her work there focuses primarily on Iran and also on other Persian Gulf security and energy issues. From 2005 to 2007, Dr. Maloney served on the staff of the State Department's Office of Policy Planning. She has previously held positions with the Council on Foreign Relations and the Exxon Mobil Corp. Dr. Maloney holds a Ph.D. from the Fletcher School of Law and Diplomacy at Tufts University.

Dr. George Lopez currently serves as a senior fellow at the U.S. Institute of Peace, where he focuses on international sanctions and post-sanctions economies. He is also professor and chair at the Kroc International Institute for International Peace Studies at the University of Notre Dame, where he has taught since 1986. Dr. Lopez has published several books on the implementation of international sanctions, arms embargoes, and other non-military means of countering terrorism. Dr. Lopez holds a Ph.D. from Syracuse University.

Ms. Robin Wright also currently serves as a senior fellow at the U.S. Institute of Peace, where she focuses on Iran, the Middle East, and the broader Islamic world. Ms. Wright has reported from more than 140 countries on six continents for a wide range of publications, including, most recently, the Washington Post. She is also a regular contributor to Time Magazine on the topic of Iran. Ms. Wright is the author of several books on Iran and the Middle East, including, most recently, Dreams and Shadows: The Future of the Middle East. She holds a B.A. and an M.A. from the University of Michigan.

Ambassador James Dobbins is the director of International Security and Defense Policy Center at the RAND Corp. He has held a number of positions in government, including U.S. representative to the December 2001 Bonn Conference, where he worked directly with Iran in helping to reestablish a government in Afghanistan after the fall of the Taliban. Ambassador Dobbins also formerly served as Assistant Secretary of State for Europe and as Special Assistant to the President. He holds a B.S. from Georgetown University.

So thank you, to all our distinguished witnesses, for making yourselves available today. I know at least Dr. Maloney and Ambassador Dobbins have testified before this subcommittee before, so we welcome you back.

It is the policy of this committee to swear in all witnesses before we begin our testimony, so I ask that all of you please stand and raise your right hands.

[Witnesses sworn.]

Mr. TIERNEY. The record will please reflect that all of the witnesses answered in the affirmative.

I tell you what I think you already know, that all of your written statements will be entered in the record by unanimous consent. We try to limit the testimony to about 5 minutes, if possible, so that we will have time for questions and answers after that.

Dr. Maloney, if you would be kind enough to start with your testimony.

STATEMENTS OF SUZANNE MALONEY, SENIOR FELLOW, THE BROOKINGS INSTITUTION; GEORGE LOPEZ, PROFESSOR OF PEACE STUDIES, UNIVERSITY OF NOTRE DAME; ROBIN WRIGHT, JENNINGS RANDOLPH FELLOW, U.S. INSTITUTE OF PEACE; AND AMBASSADOR JAMES DOBBINS, DIRECTOR, RAND INTERNATIONAL SECURITY AND DEFENSE POLICY CENTER

STATEMENT OF SUZANNE MALONEY

Dr. MALONEY. Thank you very much, Chairman Tierney, Congressman Flake, and members of the committee for this opportunity to discuss the prospects and implications of using sanctions to influence the behavior of the Islamic Republic of Iran. I will summarize my testimony, which has been submitted in longer written form.

I find it predictably ironic that, less than a year after the Obama administration began its efforts to engage the Iranians in a comprehensive diplomatic dialog, the discourse in Washington and around the world has already shifted toward an enthusiastic embrace of punitive measures. The search for alternative mechanisms for influencing Iran is completely understandable given the current context both in terms of the increasing crackdown within Iran, as well as Iran's repeated rebuffs of the offers of the Obama administration and the rest of the international community to engage in a serious dialog.

At the same time, I think it is unfortunate that the track record for sanctioning Iran is really not an auspicious one, and the key prerequisites for a successful sanctions-oriented approach—protracted duration and broad adherence—are almost certainly unattainable today with respect to Iran. There are some more promising indications of a more conducive context, but that is no guarantee of success.

In my testimony, I will speak briefly about that track record, but I will conclude by laying out a series of principles that should guide our consideration of any new coercive measures.

We have had 30 years of U.S. unilateral sanctions on Iran, and there should be no illusions that the likelihood of a more rigorous and more broadly-implemented sanctions regime will produce a reversal of Iran's nuclear calculus quickly or easily. Thirty years of sanctions have not accomplished their primary objective, which is the moderation of Iran's security and foreign policy. This has largely been a function of the lack of international consensus.

Moving forward today, despite tough talk from various European leaders, and the new cooperation between Washington and Moscow on Iran, the prospect for expanding the playing field on sanctions will still prove daunting, largely because of our divergent perspectives. In Washington, we tend to see a direct relationship between economic pressure and eventual moderation of the target leadership. Many of our allies have exactly the opposite perspective: they fear that, once isolated from the international community, Tehran will be further radicalized and may retaliate either by a direct ac-

tion against governments that have supported sanctions, or by accelerating their nuclear efforts or withdrawing from the NPT.

The irony is that neither the American nor the European perspective on sanctions is actually borne out by Iranian history. Iran's response to the repeated use of sanctions by Washington has neither involved capitulation to demands or radicalization. Instead, the regime typically seeks refuge in denial, while expanding a great deal of effort on trying to mitigate the impacts of sanctions through smuggling, through promotion of substitute industries, and through economic diplomacy. Specifically with respect to IRPSA, Iran has been preparing for a possible embargo on imports of gasoline and other refined petroleum products through a variety of official schemes to minimize gasoline consumption and to establish strategic stockpiles of gasoline.

More broadly, Iran's post-Revolutionary experience contradicts the underlying American argument in support of sanctions. The Islamic Republic has experienced a number of episodes of severe economic pressure, but none has generated the kind of foreign policy moderation that the sponsors of IRPSA or the other manifold punitive measures against Tehran tend to forecast. Instead, in the past, when Iran has been under economic pressure, this has facilitated the coalescence of the regime and the consolidation of public support. Economic constraints have enhanced cooperation among Iran's factions. Tight purse strings have in fact forced some moderation of its economic policies, but not of its foreign policy, and I think that is particularly important to remember today as we move forward with new pressure.

Obviously, sanctions have to be a component of our overall integrated diplomatic strategy toward Iran and one that has both a short-term and a long-term perspective. It is one of the few tools that remains at our disposal and, therefore, I set forth the following five principles that should be uppermost in our minds in assessing new sanctions:

The objectives need to be clear, limited, and achievable, particularly sanctions that have potential for influencing important constituencies that have some say in Iran's nuclear policies, measures that target the economic interests of the Revolutionary Guard Corps and other critical elements of Iran's hardline power structure. This is a particular uncertainty, I think, with respect to IRPSA. I am not sure what the scenario that the sponsors of IRPSA have in mind—that the Iranian public, under great economic constraint, begins to go to the streets and voice its anger and frustration with its regime, and the regime, somehow capitulates or moderates its policy toward the international community? It is really a scenario that doesn't bear any resemblance to the likely behavior of the Iranian leadership.

It is also suggested we need to be careful about our rhetoric when we talk about crippling sanctions that will break the back of the regime. Again, we need to be clear about the intended objective of our sanctions. We are not trying to bring down the regime; that is not within the capacity of the United States of America. What we are trying to do is reverse their position on the nuclear issue, and that means persuading them that their security is better served through another approach to the world.

Second, we need to integrate sanctions within the continuum of U.S. diplomacy. I am glad that the Obama administration has dropped the sort of talk about carrots and sticks, but, still, the rhetoric of dual track seems to suggest that sanctions are an alternative to diplomacy. That is not, in fact, the case. Sanctions need to be a part of an integrated approach that actually uses sanctions to persuade Iran to come to the negotiating table, because that is simply the only way we are going to get the Iranians to understand that their security interests are better served by cooperation rather than confrontation.

Third, we need to have that kind of broad international consensus and implementation that has been lacking for most of the past 30 years. Getting and keeping our allies on board with a sustained sanctions approach is important because so long as there are outliers—so long as there are hesitators like Russia and China—historically, that make it easier for others to sit on the fence and to avoid full implementation of the sanctions. In this respect, reset of the U.S.-Russian relationship has been a necessary condition for improving the prospects for sanctions, but it is not going to be sufficient. To generate sufficient international support for sustaining meaningful economic pressure, we are going to have to make a credible case to our allies that our measures can actually impact in a positive fashion the nuclear calculus.

Fourth, we need to focus on those measures that have the best prospects for direct and immediate cost. This is, of course, the secret of the recent Treasury measures to restrict Iran's access to the financial system. They have actually hurt existing business, business that tends to be pursued by regime elites that have some influence over its behavior. Any sorts of sanctions that hit at prospective projects, at pipeline projects that are many years away from being implemented, are likely not to have much impact on Iran's behavior, largely because its regime retains a certain degree of denial about its economic prospects.

Finally, we have to think very carefully about the prospects of any sanctions to influence Iran's emerging opposition movement. There have been varying calls within that opposition. Certainly, the political leadership of the opposition has suggested that sanctions would not help its position. There are others who have suggested, in fact, that new economic pressure might galvanize Iranians against the regime. I think both of these arguments have a certain degree of validity, but we have to recognize that measures that target the burgeoning economic role of the regime's repressive capacity that are specifically identified with its human rights abuses can serve a double purpose in pressing the regime, both in moderating its nuclear course, and in improving its treatment of its people at home. And here we should be leveraging the interest in Europe.

But we have to be careful in assuming that somehow, Iranians, if the price of gasoline goes up, if they can't access home heating oil in the middle of a cold winter, are likely to vent their anger against the regime rather than at the United States. The regime is quite skilled at deflecting the impact of sanctions and clearly its rationing programs and its access to smuggling networks will permit the regime to implement its core constituencies from the im-

pact of reduced supplies. The notions that Iranians would welcome American efforts to cutoff supplies of heating oil and gasoline to me sounds like the same kind of logic that suggested that Iraqis would greet us as liberators after we violently removed their regime.

The reality is that the Iranian domestic climate is complicated and uncertain. There are no simple solutions. And, frankly, the cost of failure when it comes to applying sanctions is real and significant. If we move forward with a sanctions approach that does not work, the alternatives, specifically military options, are far worse in terms of advancing U.S. diplomatic interests in the region, and for that reason we need to use sanctions, but use them within a larger diplomatic framework.

Thank you.

[The prepared statement of Dr. Maloney follows:]

Suzanne Maloney
Senior Fellow
The Saban Center for Middle East Policy
at the Brookings Institution

Testimony before the Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform, House of Representatives

Hearing: "Iran Sanctions: Options, Opportunities and Consequences"

December 15, 2009

Mr. Chairman and members of the Committee, I'm very grateful for the opportunity to discuss the prospects and implications of sanctions as a tool for influencing the policies of the Islamic Republic of Iran.

Less than a year after the Obama Administration began its tenure with unprecedented overtures aimed at engaging Tehran in a comprehensive diplomatic dialogue, the discourse in Washington and around the world has already shifted away from engagement toward an enthusiastic embrace of punitive measures. In no small part, this shift can be attributed to the dramatic developments within Iran since its blatantly manipulated presidential election six months ago. Those developments have splintered Iran's leadership, further alienated its people, and generated the most vigorous popular movement for political change to confront the Islamic regime since the 1979 revolution that brought it to power. Those same domestic dynamics have outraged and inspired the international community, and added new impetus to the longstanding concerns about the regime's policies at home and abroad.

In addition, the rapid disenchantment with engagement has been fueled by Tehran's repeated rebuffs of both the specific proposals put forward by the United States and its allies among the P5+1 as well as the overall paradigm of dialogue. Iran's supreme leader, Ayatollah Ali Khamenei, and its infamous president, Mahmoud Ahmadinejad, have inveighed against negotiations as a deceitful ploy intended to rob Iran of its resources and rights and have scuttled a preliminary agreement initially endorsed by their own representatives that would have temporarily mitigated international concerns about Iran's nuclear ambitions.

Given such a track record, changing course from an engagement-centric approach to one with a greater focus on economic pressure represents a clear-headed recognition of the limitations of our efforts to date and a laudable commitment to developing an effective approach for addressing the increasingly urgent concerns about Iran's policies. Engagement was never conceived as an instant-fix for the complex and multi-faceted problems posed by Iran, and the experience of the past year has demonstrated that diplomatic overtures alone cannot overcome a bitter estrangement of three decades and the ideological imperatives of a leadership whose claims to legitimacy remain underpinned by anti-Americanism. Despite this ideology, history demonstrates that the Iranian leadership can be influenced by the relative costs and benefits of its

policy choices, and the challenge for the international community today is to ensure that the costs of continuing Iranian antagonism dramatically outweigh the benefits of accommodation.

Still, amidst the renewed clamor for coercive measures, it is important to note that sanctions do not promise inherently better results for advancing U.S. policy outcomes than any other element in the toolkit. To be blunt, three decades of increasingly restrictive economic restrictions imposed on the Islamic Republic by Washington have failed to date to achieve their stated objectives of moderating Iranian policies on the key areas of American concern. While there are promising indications of a more conducive context for sanctions today, that is no guarantee of success.

The price of embarking upon another frustrating failed approach to blunting Tehran's most destabilizing policies is not insubstantial; if sanctions fail, the available alternatives (military force or externally orchestrated regime change) portend much more dismal prospects for American interests and regional stability. The urgency surrounding Iran's nuclear program and Tehran's apparent determination to continue expanding its nuclear activities demands that the international community's revised approach to Iran is framed in such a way that maximizes its prospects for achieving even the minimalist goal of decelerating Tehran's course on this issue. Equally important, as serious discussion of more rigorous sanctions gets underway, the implications of any new measures for the future of Iran's nascent democracy movement must be considered.

In my testimony, I will briefly sketch out the factors that may facilitate the efficacy of sanctions today, while also noting the largely unimpressive track record of economic pressure in producing desired modifications in Iranian foreign policy, particularly on issues perceived by the leadership to be within its vital security interests. I will conclude by laying out a series of principles that should guide our consideration of any new coercive measures.

Why Sanctions Now: Iran's Vulnerabilities

The Obama Administration signaled early on to Iran and the rest of the international community that American patience has limits and that its offers of engagement were subject to expiration. As a result, the approach of the new year has amplified the discussions surrounding new Iran sanctions, and with this increased attention has come heightened expectations for impact. To some extent, this new optimism is grounded in the reality of Iran's increased vulnerability relative to only a few years ago. This vulnerability is the function of internal politics, economic conditions, and the change in the international context.

At home, the Islamic Republic managed to withstand the historic unrest that erupted in the aftermath of the Ahmadinejad election "landslide," but with two profound schisms that have fundamentally changed the nature of the regime and its relationship with its citizenry. Among the regime's political elites whose shared investment in the revolutionary system had heretofore always trumped their ideological diversity, a breach has occurred that is probably irreparable. Some of the senior figures of the post-revolutionary era have all but defected to a quasi-opposition status. The continuing alienation of such regime stalwarts as Mir Husayn Musavi, the prime minister who ran the operations of government throughout the war with Iraq, and Akbar Hashemi Rafsanjani, the former president who has long been considered Iran's political

mastermind, opens an unprecedented divide within the leadership that has festered and deepened since June. The widely-known and in some cases explicit dissatisfaction of many of the country's most respected clerical leaders with the handling of the election and the posture of President Ahmadinejad has further undercut the religious legitimacy of the theocratic system. Some of the key institutions of state, including the Supreme National Security Committee which is responsible for the nuclear negotiations and overall foreign policy coordination, appear to functioning in crisis mode because of the bitter differences among their principals.

On the streets, the Green Movement continues to make its voice heard, through targeted demonstrations, graffiti, and small-scale acts of civil disobedience. At present, the movement lacks clear coordination – indeed, its constituents and ostensible leaders appear to have divergent ultimate goals – and has yet to articulate a strategy for altering either the outcome of the election or addressing the broader causes for public dissatisfaction. But its persistence, even in the face of certain and fierce governmental repression, has unnerved even some of the regime's supporters, and has helped sustain a deep wellspring of domestic and international sympathy. Together, the popular unrest and the ruptures within the system's power brokers have shaken the regime and left it more susceptible to pressure than at any point in recent history, leading some to suggest that sanctions could buckle the regime and further embolden its nascent opposition.

Moreover, Iran's internal political liabilities are exacerbated by its current economic predicament. Although the Iranian economy has been chronically mismanaged in the post-revolutionary era, the boom and bust experience of the past 5 years has generated new problems, particularly spiraling inflation that has hit hardest in the pocketbooks of the poor. Iranians from across the political spectrum have vented their indignation repeatedly and quite publically at Ahmadinejad, whose quixotic economic policies have emphasized profligate spending and a disdain for the government's economic technocrats. In addition, under Ahmadinejad's direction, the shift in the balance of power in favor of the Revolutionary Guard has come at the expense of some of the regime's long-time crony capitalists, whose support was always critical to the Islamic Republic's endurance. Notably, the precarious state of the economy – and in particular, the rising prices of staple goods and other hardships suffered by the population – constituted the primary issue for all of Ahmadinejad's rivals during the presidential campaign, including the conservative former Revolutionary Guard commander Mohsen Rezai as well as both the reformist candidates. The public's identification of Ahmadinejad with their own personal financial constraints suggests that any intensified economic pressure that results from a stepped-up sanctions regime could create unsustainable domestic political costs for the current leadership.

Outside Iran, the Islamic Republic retains potent mechanisms for making its influence felt across the region and around the world, but here too, the violence that has transpired since June – together with other factors – has eroded some of the sense of ascendancy that infused Iranian rhetoric only a few years ago. Once seen as something of a folk hero within the Arab world for his penchant for playing the anti-Israeli demagogue, Ahmadinejad has been exposed as little more than tin-pot dictator. The turmoil within Iran and the regime's crackdown against protestors and dissidents has also forged new support for intensifying pressure on Tehran in European capitals, some of which have historically proven hesitant to jeopardize their trade with Tehran over the nuclear issue or terrorism. At the same time, the Obama Administration's strides in

defusing its predecessor's tensions with Russia has transformed the climate for Russo-American cooperation on Iran, undercutting Tehran's traditional tactics of playing one capital against another and creating a critical mass of international pressure that has brought along countries, such as China, that typically hedged their bets. In the aftermath of Iran's chaotic handling of the proposed Tehran research reactor (TRR) deal in October 2009, the diplomatic climate for applying new pressure is unusually ripe.

The Limitations of Sanctions for Influencing Iran

All told, these internal and external factors have generated a newly conducive international context for the adoption and implementation of a far-reaching multi-lateral sanctions – a prospect that until recently appeared impossible to achieve. However, even in the current environment, there should be no illusions about the likelihood that even a more rigorous and more broadly-implemented sanctions can produce a reversal of Iran's nuclear calculus quickly or easily. Thirty years of American sanctions should offer a sobering check on any tendency toward optimism. Examining that track record reveals that while economic restrictions have imposed a significant cost on Tehran, sanctions have not succeeded in advancing their ultimate objective, namely a transformation in Iran's foreign and security policy despite protracted duration and comprehensive scope.

One of the main factors that has stymied the impact of sanctions to date has been the lack of international consensus. Even at the height of the hostage crisis, America's closest European allies rebuffed U.S. entreaties to join in multilateral sanctions against Iran's revolutionary regime, and eventually enacted only limited restrictions on trade. Since those early years, European concerns about Iranian foreign policy have yet to be matched by any parallel willingness to formally abrogate its historic economic ties. Moving forward today, despite tough talk from various European leaders and the apparent cooperation between Washington and Moscow on Iran, the prospect of expanding the playing field for sanctions will likely prove a daunting task. While the Islamic Republic's latest human rights abuses have produced greater resolve among European publics, it remains to be seen whether the European Union as an institution will put its money where its mouth is. Similar skepticism should be applied to the Russians, who have continued to court Tehran on the one hand even as they align their rhetoric on sanctions more closely with Washington on the other.

The root cause of historical international reluctance with respect to sanctioning Iran involves the divergent perspectives on the consequences of sanctions. The typical American perspective posits a direct relationship between externally-imposed economic constraints and eventual moderation by the leadership of the target country, as a means of alleviating political pressures and preserving their regime and their system's stability. Many of our allies, even those who are now deeply frustrated with Iranian obfuscation on the nuclear issue, tend to see sanctions as generating precisely the opposite response. They fear that once isolated from the international community, Tehran will be further radicalized and may retaliate, either via direct action against governments that adhere to the boycott or by accelerating their nuclear activities and withdrawing from the Nuclear Non-proliferation Treaty. Even in the current climate, these divergent views will complicate American efforts to gain wide adherence for tough new measures against Tehran.

The irony is that neither interpretation is borne out by Iranian history. Iran's response to the repeated use of sanctions by Washington has neither involved capitulation nor radicalization. Instead, the regime traditionally sought refuge in vociferous rhetorical denial, while expending considerable efforts to mitigate their impact through a variety of internal and external tactics. In the earliest years after the revolution, these mitigation activities involved both smuggling and the promotion of entire industries to substitute for products, particularly military equipment and arms, previously sourced from the West. More recently, Iran has prepared for a possible embargo on imports of refined petroleum products, through a variety of official schemes to minimize gasoline consumption and establish a strategic stockpile. Over the years, Tehran has also used diplomacy as suggested above to blunt the prospect and impact of sanctions, deliberately expanding its network of trade partners and gradually reorienting its trade and investment patterns to privilege countries with fewer qualms about the regime's foreign policy adventurism or treatment of its citizens.

Indeed, Iran's post-revolutionary experience appears to contradict the underlying American argument in support of sanctions. The Islamic Republic has experienced a number of episodes of severe economic pressure, but none have generated the kind of foreign policy moderation that the sponsors of ILSA, IRPSA or any of the other manifold punitive measures against Tehran sanguinely forecast. Rather, past periods of external pressure on Iran have facilitated the coalescence of the regime and the consolidation of its public support, and economic constraint has generated enhanced cooperation among Iran's bickering factions. Tight purse strings have forced moderation of Iran's economic policies but only rarely of its political dynamics. The current political context is, of course, unique, but a review of Iranian history tends to undercut the assumption that Tehran will buckle as soon as it feels the pinch.

Making the Most of Sanctions

In terms of influencing Iran, it is clear that sanctions do not offer a cure-all or silver bullet for resolving our longstanding concerns about Iranian policy. At best, they represent one component of an integrated diplomatic strategy that retains both a short-term and a long-term set of objectives for dealing with an Iran that is currently in the midst of dramatic change. At the same time, however, sanctions represent one of the few tools that the United States has at its disposal and, with good judgment and wider international support can help advance our objectives with respect to Iran. To maximize their effectiveness, the following principles should be foremost in the minds of American policymakers.

1. The objectives of sanctions should be clear, limited, and achievable

One generic and obvious rule of sanctions is that they should be tailored to the outcome they are intended to achieve. Today, the primary American imperative relates to Iran's nuclear program; for this reason, our sanctions should be devised to have the maximum potential impact on the constituencies that influence Iran's nuclear policies, such as measures that target the economic interests of the Revolutionary Guard Corps and other critical elements of the hard-line power structure.

However, when it comes to Iran, political imperatives have a way of overshadowing our actual interests. As a result, the discourse surrounding sanctions tends to be articulated in maximalist fashion, with much talk of "crippling" sanctions that target the "Achilles' heel" of the regime. This bombastic rhetoric implies more expansive aims than simply persuading Tehran to constrain its nuclear ambitions. Similar logic appears to explain the broad-based Congressional support for legislation to restrict Iranian imports of refined petroleum products.

A fortuitous byproduct of additional economic pressure may be that it helps to erode the authority and capability of the Iranian regime at some point in the future. Still, the thirty-year endurance of the Islamic Republic suggests that if we set out if the goal as regime change, sanctions will fail. Our rhetoric, and the scope of our new measures, should emphasize that economic pressure is not simply punitive.

For their same reason, our sanctions should have clearly defined end points – to underscore to any rational actors that continue to hold authority within the current Iranian system that cooperation with the demands of the international community will be rewarded. If Iranian leaders are convinced that sanctions are an end in and of themselves, that American-led efforts to squeeze the regime will continue irrespective of their responses, then any remaining willingness and capacity to compromise on the nuclear issue will be subsumed by defensiveness.

2. Integrate sanctions within the continuum of US diplomacy

By the same logic, U.S. policymakers should reframe the current exhortations on sanctions to emphasize their intended role in facilitating a diplomatic resolution to the nuclear standoff. Although the Obama Administration has wisely set aside the unfortunate "carrot-and-stick" phraseology adopted by its predecessor, the apparent replacement rhetoric is not substantially better. The President and a number of senior U.S. officials have frequently referenced the efforts to engage Iran in a diplomatic dialogue as one side of its broader "dual track" approach to Iran. The binary division of American efforts is a fallacy. Positing sanctions as the alternative to negotiations is inaccurate and counterproductive. We should continue to make clear that sanctions do not preclude negotiations, and that diplomacy entails the use of multiple levers of influence.

3. Seek broad international consensus and implementation

The most significant impediment to the current sanctions regime is its primarily unilateral nature, and generating wider support for robust measures at the United Nations Security Council or through a "coalition of the willing" would represent a major step forward in giving sanctions greater potency. The overall amelioration of the American posture in the world as a result of the Obama Administration's diplomatic shifts is a necessary condition for generating more effective economic pressure, but there should be no illusions that this "reset" will be sufficient. Ultimately, as suggested above, most of our allies harbor concerns that sanctions represent an ill-suited tool for persuading the Islamic Republic to change its policies.

Getting and keeping allies on board with a sustained sanctions approach is particularly important because the prevailing diplomatic interplay has demonstrated a zero-sum logic to international cooperation. Defection from the sanctions regime, or even the presumption of noncompliance by other actors, produces a vicious cycle and consistently undercuts any effort to broaden the

applicability of the sanctions regime. Tehran has exploited this dynamic, seeking to expand its economic ties in ways that complicate any prospects for Western leverage.

To generate sufficient international support for sustaining meaningful economic pressure on Iran, Washington will have to make a credible case to skeptical allies that any new measures can positively impact the nuclear calculus of Iran's current leadership. We should have plans in place for limiting or responding to feared backlash by Tehran, whether it is aimed at retaliating against sanctions supporters or further distancing the regime from global nonproliferation norms. We will also have to work assiduously to parry Iranian efforts to undercut international consensus on the utility of economic pressure by dangling new business opportunities and/or new negotiating ploys before U.S. allies.

4. Focus on measures with direct and immediate costs

The sanctions that offer the greatest promise for influencing the calculus of the Iranian leadership are those that actually impinge on current business dealings between the Iranian regime and the rest of the international community. This is the implicit message from the increasingly underwhelming response to redundant American economic restrictions against Iran over the past 30 years and more pointedly of the regime's intense response to the more recent restrictions on Iran's access to the international financial system implemented by the U.S. Department of the Treasury in recent years. These restrictions have imposed real costs on Iran's ongoing business activities, something that the overlapping unilateral sanctions regime had long since failed to accomplish. The Treasury measures have yet alter Iran's core security policies, but anecdotal evidence suggests that they have begun to alter the demands and preferences of influential supporters of the Iranian regime.

The urgency of Iran's nuclear activities, and the relatively condensed timeframe for averting the worst possible outcome means that immediacy should be the relevant objective of any new economic restrictions. Sanctions have already forced Iran to forfeit some of its economic prospects without substantial internal debate or consequence; as a result of Tehran's lack of access to U.S. -patented liquefaction technology that is an integral component of LNG exports, Iran is unlikely to emerge as a significant player in the international market for natural gas over the near or medium term. And yet these costs – quite substantial in the longer term – have proven relatively bearable because of the regime's tendency toward denial. Any new measures should not target long-term endeavors such as proposed regional pipeline projects, already subject to considerable economic and political uncertainty, but rather should seek to disrupt existing business and apply a new premium to ongoing Iranian trade. In general, even modest penalties that impose immediate costs on current business are far more influential in shaping Iran's choices than measures that defer or deny lucrative long-term investments.

5. Consider the impact on Iran's internal climate

The advent and persistence of a powerful indigenous challenge to the Iranian government represents an incredibly auspicious development for Iran's long-term future. However, it also creates new dilemmas and uncertainties for policymakers seeking to blunt the current regime's nuclear pursuits and support for terrorism. Any consideration of new sanctions should incorporate some discussion of the likely impact on Iran's internal dynamics at this particularly precarious interval.

Some voices within the still-amorphous Iranian opposition have endorsed the utility of intensified sanctions as a means of pressuring the hard-line leadership and further galvanizing popular support against the regime. In contrast, some of the political luminaries associated with the Green Movement have appealed to the international community to avoid economic pressure, arguing that the price will be paid by the Iranian people rather than by the regime or its privileged classes.

Undoubtedly, both these arguments have some validity. Measures that target the burgeoning economic role of the regime's repressive capacity and limit the options of its most notorious human rights abusers could serve a double purpose of pressing the regime to modulate its nuclear course while also underscoring international concerns about its treatment of its own people. It is here that Washington should seek to leverage the newfound support for sanctions in European capitals, by tying 'coalition of the willing' sanctions including travel bans on key IRGC officials specifically to the ongoing crackdown against protestors and dissidents.

Still, a cursory familiarity with recent Iranian history should check any tendency within Washington toward hubris in seeking to use sanctions to inspire domestic unrest. This is particularly important to consider with respect to the debate surrounding efforts to restrict Iranian imports of refined petroleum products. The proposition that such pressure would fuel public anger against the Islamic Republic and help generate its replacement or moderation is romantic but also simplistic. The Iranian leadership is skilled at deflecting pressure, and its rationing programs and access to smuggling networks will permit the regime to insulate its core constituencies from the impact of reduced supplies. And the notion that the Iranian population would welcome American efforts to cut off supplies of heating oil and gasoline defies common sense.

The reality is that the Iranian domestic climate today is complicated and uncertain. There are no simple solutions for the international community to advance a better outcome. The same is true for the broader landscape of U.S. policy toward Iran. Sanctions can play a role, particularly if they are used judiciously as part of a broader process of diplomatic engagement to coax and coerce Tehran into making meaningful compromises in its approach to the world and its own population.

Mr. TIERNEY. Thank you, Doctor.
Dr. Lopez.

STATEMENT OF GEORGE LOPEZ

Dr. LOPEZ. Thank you, Mr. Chairman. I am honored and grateful to have the opportunity to share with the committee this morning some of the findings that I think have emerged from over a decade of research that my colleagues and I have done and submitted in much more detail and written testimony about the probability of success of sanctions under these conditions.

I think the Congress and the committee face a kind of bitter irony. The sanctions you have before you will no doubt, if implemented, take a big economic bite out of Iran. The dilemma, of course, is they will not produce the political gain in concessions that are important for the interests of the United States. In fact, I would suggest that there are four or five basic principles we have learned from the history of implementation of sanctions that lead us to be quite cautious about the legislation that lies before us.

First and foremost, generally, sanctions only have about a one-third track record. If you are a baseball player, this is a good batting average. If you are making economic policy or political policy at the foreign policy level, you would like a great deal higher percentage. The smart sanctions that we developed over the last decade have a strong success rate. We have been able to use them astutely under certain kinds of conditions, particularly Libya being one of the best examples. On the other hand, trade sanctions, of which a major component this package is, really have a worse ratio over time, and I see nothing in the sponsored legislation that increases the possible success rates as applied to Iran under these conditions.

Second, if sanctions are to be imposed for the kind of multiple violations that we know Iran is engaged in—whether it is uranium enrichment, human rights issues, or support for terrorist groups—those have been most successful under conditions of multilateral imposition, particularly with regard to the U.N. framework. So Congressman Flake's observations before, I think, are important to note. We have a group of partners who have been very successfully committed to what we will do in terms of nuclear regulation over the last 3 years, in 2006, 2007, and 2008, with strong regulations and resolutions out of the Security Council. I am not necessarily sure we should jeopardize that by unilateral action that is likely to have less and less success.

Third, pure and simple, we cannot punish the Iranians into a nuclear deal. No state, even the United States, has ever been able to do that before, and I don't see the conditions for success here. Only an astute mix of continued engagement, narrowly-conceived sanctions applied at the appropriate time, and versatile incentives will prompt the Iranians, hopefully, to change their nuclear posture. This is not the time for adding sanctions to the mix of that engagement diplomacy. If imposed now, as Suzanne has mentioned, Iran will react with particularly negative consequences for the prospects of future engagement with the IAEA or with the five critical partners with which they are engaged. The ultimate leverage we have, over time, is the continued coalition of support that we have built

in the United States with the P–5 states and with states in Europe who believe that continued diplomatic engagement, at least for a while, is the way to proceed.

Fourth, in nations with the kind of internal disarray that we see currently in Iran, we have seen a rally round-the-flag effect that creates very, very difficult conditions. In fact, at its worst, sanctions would play into the Ahmadinejad government's insecurity and passion for repression of its own political groups. Why we would cast to them this kind of "apres vous" is strange to me. We need to build and sustain coalitions in Iran that will see the United States as its friend, and we must listen very adeptly to the kinds of reactions we have gotten from Iranians about the sanctions. Remember, we were able to sustain and have successful sanctions in South Africa over time because the opposition groups were saying that this was the appropriate strategy, and I think that is important for imposing sanctions.

Now, with a sanctions expert being so negative on the possibility of imposing sanctions through this legislation, what do I offer you? I think there are some ways forward in which the United States can continue the engagement with the Iranians, but I state very clearly a number of particular postulates. The first is that the American people and the Iranian people can be brought together around the notion that no nation in the future should or could seek its security through nuclear weapons. We should state to the Iranians that they should see the relationship we are building with Russia and the treaty we are about to submit to the Senate sometime in the next year, which will lead to massive reductions in our nuclear arsenals. We are trying to lead the way through a particular kind of leadership by example, and we encourage states that are thinking about the nuclear threshold to pay attention to this.

Aggressive diplomacy of the first order—in which we invite, embarrass, cajole, and incentivize the Iranians to think about the Geneva deal that they have left on the table as being at least a model for the way forward—is the way to astutely use our leadership, rather than future sanctions. It seems to me that we can go to the Security Council in the near term with a package of tightly-conceived, smart and targeted sanctions which look at the entities and individuals that have violated prior Security Council resolutions. Then we can call upon our P–5 partners and the rest of the Security Council to add another resolution to the strong mix of the three we have, and continue the multilateral framework that will penalize the Iranians for IAEA dismissal of regulations and an unwillingness to come forth transparently with the progress of their program.

Are there incentives we can offer the Iranians? Yes. I think we should move forward with a picture of what life may be like in a post-sanctions environment for them. The first and most important might be a recharacterization of the existing sanctions from 2006, that would guarantee a right of the Iranians to enrich uranium up to a particular level and reaffirm their independence as a particularly strong state dependent on nuclear energy and medical technologies derived from nuclear technologies. This cannot be so in an environment that is not fully transparent and open to international inspection.

We should hold open to them the prospect for membership in trade and other organizations, which current sanctions now prohibit. The best incentive one can offer a sanctioned country is the removal of those sanctions. But we haven't specified exactly how that will look in a step-by-step reciprocation of Iranian actions.

I have contributed more in my testimony, but my time has come to an end. I do believe that the administration's approach to engagement has to be understood as 1 year in a 30-year framework with the Iranians, in which the turnaround in correspondence we seek from them may not have yet gone far enough down the road; but we have the strength, versatility, and energy as a diplomatic community to continue to exert that pressure in a positive way, and hold sanctions as keeping the powder dry for at least another 6 to 9 months in case the dilemma continues to manifest that we will need them.

Thank you.

[The prepared statement of Dr. Lopez follows:]

ASSESSING THE UTILITY OF NEW SANCTIONS ON IRAN

Testimony to

US House of Representatives
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
One Hundred and Eleventh Congress

Congressman John F. Tierney, Chairman

For the Hearing:
"Iran Sanctions: Options, Opportunities and Consequences"

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I am honored and grateful to have the opportunity to share my personal insights with the members of this sub- committee today as you assess one of the more vexing puzzles of our post 9-11 world: how might coercive economic instruments change the behavior of the Iranian government? [ii] I will share my judgments on this puzzle with you by drawing upon the varied frameworks and findings of systematic research on sanctions which has occupied my colleagues and me since 1990.[iii]

The Congress - and ultimately the Executive Branch - face an unenviable situation in considering the imposition of a new round of economic sanctions on Iran as outlined in HR 2194: the Iranian Refined Petroleum Sanctions Act of 2009. Through various violations of international law and norms, the Iranian government's behavior makes a *prima facie* case for punishment and condemnation. Among these violations are their continued material support for Middle East groups on the US terrorism list, conducting a fraudulent national election followed by a draconian crackdown on political opponents and human rights generally, and, their deception in and continued development of enriched uranium. Then, in the face of this, US legislators have some fairly biting sanctions instruments at hand. Especially via a gasoline import embargo and through increasing the range and reach of technology and banking controls, the US can wreck havoc on an already under-performing Iranian economy. Finally, the sanctions available will "play well" in this town and across the nation to a wide variety of domestic groups from human rights coalitions to those who see Iran as a prime candidate for regime change. Using the popular vernacular, then, it would appear a "no-brainer" to use the tools at hand to impose a series of sanctions on the Ahmadinejad government and its internal supporters.

With a case easily made, strong tools at hand, and large scale domestic support forthcoming, why would I refer to the "no brainer" decision as an "unenviable situation"? Because the sanctions under consideration, with one or two narrow exceptions, will inflict economic pain in Iran, but produce no political gain on issues important to the United States. In fact, research on the history of sanctions cases predicts that <u>these</u> sanctions imposed on <u>this</u> Iranian government in the manner proposed in HR 2194, will do more harm than doing nothing.

Without question, the robust set of sanctions under review will adversely impact the human rights situation within Iran, as the Iranian opposition and civil society groups will be both more repressed and more vulnerable to the regime. We run a high risk that many Iranians will be angry at the US for such sanctions which pleased our need "to bring the regime to its knees", but which actually strengthened Ahmadinejad's hand. In addition, since the sanctions will fail to force Tehran to accept transparent cooperation with an international plan to provide it with processed uranium, the US will be in a worse strategic position on the nuclear issue. And sadly, because we aim to impose these sanctions unilaterally outside of the United Nations framework, we will have undermined the reasonably strong coalition of support condemning Iranian actions that has emerged over the past year, and which is the ultimate leverage against Iranian misbehavior.

Indeed I am sorry to bring you bad and difficult news. My caution regarding sanctions should not be construed as failing to appreciate the terrible, destabilizing threat that a nuclear armed Iran will pose

to the US and Middle East. Nor do I want to gloss over Tehran's gross behavior against its own citizens, or its illegal behavior abroad. There is no question that the US finds itself in a conundrum with Iran. But most of the sanctions now on the table promise only to make this situation worse.

Rather than being a "no-brainer" decision to make, what is called for in this rather unique and rapidly changing situation within Iran is lots of brains, astute restraint, deep insight into history and culture. In addition we need determination and innovation at every diplomatic level in engaging the multiple and complex actors who make Tehran's policies on nuclear issues and human rights. This is not the stuff of punishing and isolating economic sanctions. Rather it is the use of smart power at its best.

I detail below those research findings from prior economic sanctions cases that inform the assertions I have just made. These generalizations also help me develop some policy options which might provide a way forward in advancing US interests with the Iranians.

1. Sanctions work best when they are one of a number of diverse tools used to achieve a larger set of strategic policy goals that are so clear, consistent, and well articulated that they are fully understood by the target. When sanctions fail, it is often because the policy goals have become muddled and ultimately overshadowed by the importance of enforcing the sanctions. Soon sanctions become the policy, rather than serving as a tool of policy.

2. Generally, sanctions achieve the desired compliance from their targets only about 1/3 of the time. The ratio is far less for trade sanctions. [Thus generating caution about an embargo on refined petroleum imports, even before one calculates the political impact of such restrictions.] The most successful sanctions of the past twenty years have been narrowly targeted "smart" sanctions aimed at those individuals and entities primarily responsible for wrong-doing. These include financial asset freezes, diplomatic and travel bans and involve coordinated efforts by the UN Security Council and the United States Government.

3. If multiple sanctions are to be imposed for multiple, distinct offenses to international norms and treaty obligations [as can be claimed warranted in the Iranian case] they must be multinational, i.e. UN generated and supported, to be successful. This path is not pursued in HR 2194 because we know that our key P5 partners in the Security Council do not support this approach. They prefer, consistent with Security Council Resolutions 1737 (2006), 1747 (2007) and 1803 (2008), to focus on missile technologies and especially the problem of uranium enrichment. At best these P5 partners will support narrowly targeted sanctions on missile and related technology and illicit financing for WMDs. Formulating that kind of SCR may be possible. But it will require hard work and ingenuity. It may also necessitate a pledge that the US will not follow such agreements with harsh sanctions penalties imposed unilaterally for which it could not get broad support in the P5.

4. Sanctions must not just enrage, but actually engage the targets. Sanctions must provide a framework for continued engagement of the target with the imposers in order to remain focused on the behavior that

needs to change in order to lift the sanctions. Sanctions which are excessively punitive and which aim to or effectively achieve the isolation of the target frequently fail.

5. In nations where strong internal opposition to the regime exists, sanctions provide national leaders of the target regime with a classic "rally around the flag" policy tool and benefit. In this, the regime justifies further internal repression by blaming the extreme economic and political situation the nation faces on the impact of the sanctions. In such an "emergency" leadership more easily deflects criticism levied against it. Nothing could play more into the Ahmadinejad government's insecurity and its intensification of repression than such sanctions, especially those on refined petroleum import controls.

6. Neither unilateral nor multilateral sanctions have ever toppled a targeted, rights violating government. Nor have sanctions, by themselves, ever forced rights violators to desist in their worst acts of rights violations. When imposers force improvements in a target's human rights behavior, it results from the imposer severely curtailing an array of existing and integrated economic ties to the target, that is, aid, trade, investment, and banking. [The South African case somewhat fits here]. Thus the sanctions paradox: they are much more effective against friends and economically interdependent entities than already ostracized enemies. The noteworthy caveat: sanctions have more dramatic success in safeguarding new governance structures and human rights in new and fragile democracies.

7. Sanctions-stimulated nuclear reversal has occurred – whether it be with Ukraine, South Africa, Brazil or Libya – only when the imposing state[s] also provides two types of incentives: (a) the prompt removal of the constraining sanctions that are in place [and the target quickly feels such undoing, and, (b) mechanisms at the ready that show the target that they - being forced by their own behavior to live under sanctions - are forgoing the "rewards of full scale participating in this globalized economic order". The lesson for the Iranian case: we cannot punish them into a nuclear deal. Only an astute mix of narrow sanctions to focus their attention, continued engagement, and versatile incentives will provide this. And the time for sanctions is not now.

8. Technology control sanctions, as contemplated in a number of sanctions under discussion, appear "elegant" in a "commodity" sense. That is, they are a set of distinct goods which, when embargoed, deprive the government target of dual or multiple use items of significance, especially in the communications sector. Indeed such a ban might effectively constrain the military, the government and elites for a short time. But they constrain civil society actors more adversely as they deprive them of continued ingenuity and opportunities to command the cyber technologies and paths. Recent history shows the struggle over communications technology now occurring in Iran favors the opposition, rather than the regime over the medium to long term. Sanctions on technology imports to Iran increases government power in dysfunctional ways.

9. Any serious sanctions assessment asks about recent sanctions history. We must recognize that 30 years of US [and sometimes allied and sometimes multilateral] sanctions have not changed the behavior of the Iranian state, regardless of the character or persuasion of the ruling group. What has led to our best

relationship in recent years with the Iranians has been focused, narrow and goal-oriented discussions based on mutual interest, such as in intelligence sharing regarding al-Qaida, in dealing with sectarian violence in Iraq, etc.

Having cast strong, negative dispersions on the sanctions, for which the appetite in this town has grown exponentially in recent months, what viable proposals do I have to deal with this vexing foreign policy problem? I outline them briefly below, but they flow from two assertions that are more important than the specifics to which they give rise.

First, we must recognize that time is on our side in this case. Beyond the bluster of building new nuclear plants, Iran's real capability for enriching uranium to weapons grade levels still faces many technical obstacles. Despite brutal internal repression, the social change taking place in Iran will change the ruling elites over time, if not in terms of the persons who rule then the style of their rule. Sanctions at this stage and in this case add a level of volatility and unpredictability that will backfire on US goals and unleash secondary realities we did not anticipate and cannot influence.

Second, we are on new testing grounds for smart power and determined engagement. We can make the rules and really pressure the Iranians IF we continue to hold the high ground on nuclear issues, human rights and transparency. To do that we are going to need policies and overtures and patience that are more nimble than a tightly imposed set of sanctions will allow us to be. We really need to think through twice the likely and unlikely outcomes of each proposed option with the Iranians due to the volatility of the situation. And we need to take risks – but ones that are in the direction of aggressive diplomacy and continued engagement, even in the face of Iranian stubbornness and their domestic repression. The history of US-Iranian relations shows that Iranian leadership is often too slow - in reacting to our terms and conditions - to embrace our proposed viable solutions to our disagreements. Thus, since the Iranians now appear to have left the Geneva agreement on the table many here think sanctions are the only alternative left to us. I disagree. We must treat this as a deal in waiting and continue to invent ways that invite, embarrass, cajole and/or incentivize the Iranians to embrace some version of that Geneva model. In other words, we need determined diplomacy, not sanctions.

Accordingly, I would ask this sub-committee and the Congress to authorize the President to

- find creative ways to bolster policies that state unambiguously to the American and Iranian people that our number one priority in dealing with the Iranian government is denuclearization;
- state that we are so committed to this path that we have taken historic steps with the Russians to reduce our own arsenals, and that that we believe no nation any longer should consider nuclear weapons vital to their security.

The goal of US policy should be aggressive engagement until the Iranians are tired of us showing up at their doorstep. To impose the sanctions outlined in HR 2194 makes it easy for Iran to hold off inspections, withdraw from the NPT, or take similar reactions that are difficult for them to undue. I recommend actions that reinforce the continued solidarity of the P5 in condemnation of Iranian actions, the generation of further alternatives, the imposition of further timelines, and if needed the slow and steady ratcheting up of pressures that can be guaranteed not to have detrimental secondary, unanticipated effects .

In this regard the US should state that we will propose to the Security Council a new, narrow targeted package of sanctions on Iranian banks and entities for which we have ample evidence that their activities violate prior UN Security Council resolutions We can and should state that the US Treasury has even more far-reaching financial restrictions at the ready, but the US seeks Iranian dialogue and cooperation, not punishment within a multilateral context, unless the future actions of the Iranian government leave us little choice.

The Congress and Executive should support independent, NGO investigations of systematic abuses of human rights and should increase commentary on the good wishes of the American people to the people of Iran as they seek to determine a more open social and political future. The Congress and the President should outline the set of incentives that await an Iranian regime that will comply with existing IAEA regulations and UN Security Council Resolutions. These may include:

- A restructuring of UNSC resolutions that accepts the right of the Iranians to enrich uranium for energy and medical purposes and which recalculates the levels of production and enrichment that can occur subject, of course, to international inspection.

- A non-aggression pledge from P-5 members regarding Iran that no state will seek to dismember Iranian facilities via air strikes or invasions.

- Membership in a set of international trade and cooperation organizations that thus far have been closed to Iranians, such as the World Trade Organization.

Finally, the Congress and the President should move ahead with potential areas of cooperation with Iran on fronts of national security concern. Among these are drug and border security with Afghanistan; Iranian assistance with security in the upcoming Iraq elections, and Iranian assistance with a safe US troop withdraw from Iraq.

These tough and determined actions over the next six months are harder than imposing sanctions. But they hold greater prospect, I believe, for achieving US goals.

[i] While having the privilege to research sanctions issues this academic year as a Jennings Randolph Senior Fellow at the United States Institute of Peace, the views expressed here are mine alone and do not represent the views held by the US Institute of Peace.

[ii] Prior Congressional testimonies on economic sanctions provided by the author include Hearing on "The Volcker Interim Report on the United Nations Oil-for-Food Program" Sub-committee on Oversight and Investigations, Committee on International Relations, One Hundred and Ninth Congress, February 9, 2005; and, "UN Sanctions After Oil-for-Food: Still a Viable Diplomatic Tool?" Sub-committee on National Security, Emerging Threats and International Relations, Committee on Government Reform, One Hundred and Ninth Congress, Tuesday, May 2, 2006.

[iii] These come from authoring or editing seven books and thirty articles and book chapters on economic sanctions, most often working jointly with David Cortright, Director of Policy Studies of the Kroc Institute, and more recently as well with Alistair Millar and Linda Gerber-Stellingwerf, President and Director of Research respectively, of the Fourth Freedom Forum . The influence of these three fine colleagues on my assessment is considerable and I am pleased to acknowledge it. But I alone am responsible for the content and policy advice provided in this testimony.

Mr. TIERNEY. Thank you, Doctor.

Ms. Wright, I understand that you are going to give us a PowerPoint presentation, and I understand that it is a good PowerPoint presentation. I had some reservations I was sharing with my staff that we went to Afghanistan, and how the military just loves to do PowerPoint presentations. I asked General McKiernan to not do that, that we wanted a dialog on that, and he answered back what if he just had one slide? So we relented and we thought that was a good compromise, only to find out that he had put everything that he possibly could for 50 slides onto 1 slide, so we had our show anyway. But please proceed.

STATEMENT OF ROBIN WRIGHT

Ms. WRIGHT. Thank you, Mr. Chairman. Mine is all pictures.

Mr. TIERNEY. Then we will all be able to understand; that is good.

Ms. WRIGHT. That is right.

The uprising launched after a disputed Presidential election in June has evolved into the most vibrant and imaginative civil disobedience campaign in the 57 nations of the Islamic world, and maybe the world generally. For all the physical force used against the Green Movement, it has, so far, remained nonviolent in response. The Green Movement is a very broad coalition that includes former presidents and clerics, as well as people who have never voted at all; and millions of students in one of the youngest populations in the world; and women in one of the most politically active female populations in the Islamic world, both young and old.

But these diverse sectors of society also see the core issues through very different prisms. The new Green Movement has managed to mobilize Iranians for public protests every few weeks since the election 6 months ago. It exploits anniversaries, commemorations, and holidays, when the public is normally urged to demonstrate for government causes. They communicate in messages like this one, on the Internet, Facebook, and Twitter, or even in graffiti spraypainted on public walls, to turn government events into protests against the regime.

The public demonstrations are when we hear their messages. At the November 4th commemoration of the U.S. embassy takeover, Iranians normally are urged to shout "Death to America" and "Death to Israel." This time many shouted "Death to No One." More pointed, others shouted "Obama, you are either with us or with them." This is a message now heard often.

The demonstration last week on National Students Day was the largest since the summer. It erupted on several campuses, and additional protests are expected later this month to mark the religious holiday of Ashura, and again during the first 2 months of next year on various anniversaries of the Revolution—the same period when the United States and its allies will be debating new international sanctions.

In policy debates on Iran, there is a lot of talk about clocks: Iran's clock on its suspected nuclear program; the slow clock of diplomacy and U.N. sanctions; and Israel's impatient clock. To that should be added a new one: the opposition clock.

What the opposition does is more important than anything this august body will ever consider. After 6 months, the Green Movement has proven that it has reached critical mass and has proven its durability. Since June, the Green Movement has shifted its agenda from disputes over the election of President Ahmadinejad to the role and powers of Iran's Supreme Leader and the very definition of an Islamic state. "Death to the Dictator" is now a common chant, with mounting anger over the militarization of the regime and the growing role of the Revolutionary Guards. This cartoon recently made the rounds, calling for the Supreme Leader to be booted from office.

Yet, the Green Movement does not speak with one voice; it is united in opposition only. Its many different factions take different positions and have very different goals. Dozens of factions under the Green banner can be sorted into at least three general categories. Each represents a different side of a sometimes unlikely alliance.

The first layer is the public campaign of civil disobedience, which extends well beyond the demonstrations. Iran's currency has become a medium for the message. Some stamp pictures and slogans on the Riyal, this one of Ahmadinejad, along with the slogan, "People's Enemy." Most lash out angrily at the regime. Others reproduce pictures like this one with the famous picture of the female student, Neda Sultan, who was shot at a street protest in June. This picture is from the cell phone video that captured her dying.

The graffiti is usually in green. Some slogans merely appeal to others who might get that note to write slogans on other bank notes. The bank notes even carry protests against the regime's foreign policy, this one against Iran's ties with Venezuela's Chavez, and here, against Russia. The regime reportedly tried to take the graffiti money out of circulation, but found there was too much to destroy.

Another civil disobedience campaign calls on the opposition to boycott all goods, from food to cell phones, advertised on state-controlled television. Civil disobedience includes individual, uncoordinated acts. Mahmoud Vahidnia is a math student who was invited to a meeting between Iran's Supreme Leader and the academic elite. He went to the mic and, instead of asking a question, warned the Supreme Leader in a 20 minute tirade that he lived in a bubble and didn't understand what was happening in Iran. Iranian television, which was broadcasting the program lived, turned it off, but not before it was taped by the BBC and others and is now a very popular item on You Tube.

The growing signs of dissent show in many ways: on public buses and on building walls, public spaces used to give notice about protests when the regime closes down cell phones or slows the Internet. Posters often appear overnight issuing new demands; many call for the release of political prisoners who are now part of show trials reminiscent of the Soviet show trials of the 1930's and the Chinese cultural revolution of the 1960's. The slogans are often in Farsi and English because they want to get their message to the outside world.

Even sports teams have become involved. Iran's national team wore green during a match abroad in June. Inside the country,

some opposition have dared to attend games wearing green, which has reportedly led the government to broadcast the games in black and white.

The Green Movement has generated some lively new art. This is the famous cell phone video of Neda Sultan, the young woman, again, shot in June. That gruesome photo has become a popular posture in the technique used for the Obama campaign. The same image has been blended into the artwork of the Iranian flag so her face takes the place of the religious symbol in the middle. The blood pattern has also been imposed on the Supreme Leader's face, an implicit message that he is responsible for her death.

The reaction by the first category, or layer, is the most important sector when it comes to sanctions. Two key points: Many in the opposition support sanctions against the Revolutionary Guards or specific members of the regime, but adamantly oppose sanctions that will hurt the people at a time of serious economic problems and a time when many in the opposition already face losing their jobs, students face losing their places in universities and, as a result, their future. Second, Persian nationalism is among the strongest forces in the world. If you know a Texan, add 5,000 years and you have Persian nationalism.

The Revolution was in trouble in the 1980's, when Saddam Hussein invaded, but millions of people who didn't like, trust, or support the Revolution rallied to the regime in the name of Persian nationalism.

Public sentiment on sanctions is complicated by the nuclear issue, and, again Persian nationalism plays a role. Reliable polls indicate that Iranians, almost universally, support nuclear energy as the key to modern development. Shirin Ebadi, the Iranian Nobel laureate human rights lawyer, said of the program, "Aside from being economically justified, it has become a cause of national pride for an old nation with a glorious history. No Iranian government, regardless of its ideology or democratic credentials, would dare to stop the program."

The second layer is the traditional political elite, which has struggled to develop a viable strategy. There are, as yet, no Mandelas, Havels, or Walesas in Iran. The opposition has been a body looking for a head since the beginning. The reform movement latched on to former President Khatami in 1997 because he talked about opening up the system. But they also abandoned him when he failed to do so. This time, the opposition rallied around Mousavi not because they liked him the best, but because they thought he was the only one who could stand up to the Supreme Leader, as he had in the 1980's when they were in different jobs. But Mousavi is an accidental leader. He occasionally issues statements and visits families of political detainees, but he has failed to create a plan of action or even to appear much in public.

Mehdi Karroubi, the former speaker of parliament and another Presidential candidate in June, is more of a maverick. He first publicized claims of rape and torture of dissidents in jail and has tried often to join the protests. The traditional political elites in the opposition would also like to see the regime punished under sanctions, but, again, no sanctions that might further hurt the people and undermine the opposition.

Mousavi has complicated the situation for both the regime and the outside world by rejecting the recent Tehran reactor deal. It is widely believed that this is merely internal politics, objecting to any initiative that might strengthen Ahmadinejad's claim to legitimacy. Iran's nuclear program has basically become a political football at home, with its own internal dynamics that could deeply complicate diplomacy.

The third layer, very briefly, is the debate among the clerics, which is least visible, but quite intriguing and very important to understand. Ayatollah Montazeri is the most outspoken and credible opposition cleric, but there are many, many, many others. Montazeri was originally selected as Ayatollah Khomeini's heir, but was stripped of the title when he began to criticize the regime for its injustices. Since June, he has been scathing toward the government, at one point warning Iran's security forces not to take actions that they would someday have to justify before God.

Montazeri issued a fatwa in October against nuclear weapons on grounds that they are against God's will and will inevitably kill civilians, as well as the military. He urged Muslims worldwide to take the lead in campaigning against nuclear arms.

Among themselves, the clerics are now intensely debating what constitutes good governance, what an Islamic state should do and be, and even whether an Islamic state is good long-term for Islam. The clergy I have spoken with over the years—and I have been going to Iran almost every year since 1973—actually care about the nuclear energy issue, but, like the public, they feel the regime has pushed the nuclear issue too far, at great cost to the nation's standing, its future potential, and with millions of Iranians paying the price.

As a result of the debate, Iran's Supreme Leader is increasingly standing alone among his own. Many clerics have long been wary of theocratic rule for fear that the human shortcomings of a modern Islamic state would taint Islam. As they hear vast numbers of protestors challenging Khamenei or see opposition messages on Iran's national currency, the debate among them has intensified.

Thank you.

[The prepared statement of Ms. Wright follows:]

Testimony to

U.S. House of Representatives
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
One Hundred and Eleventh Congress

Congressman John F. Tierney, Chairman

For the Hearing:
"Iran Sanctions: Options, Opportunities and Consequences"

Iran's Green Movement

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"The Last Great Revolution: Turmoil and Transformation in Iran"
"In the Name of God: The Khomeini Decade"
"Sacred Rage: The Wrath of Militant Islam"

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The views expressed are my own and not those of the United States Institute of Peace.

Iran's Green Movement

Introduction

- In 2010, the United States will face increasingly difficult decisions about how to balance policy toward Iran's rival political forces—an increasingly autocratic regime in control of a controversial nuclear program and an opposition demanding political, economic and social reforms.

- The uprising since Iran's disputed presidential election is the most important political event in the Islamic republic since the 1979 revolution. The Green Movement has dramatically altered the internal political landscape as well as the diplomatic dynamics for the outside world. It also has the potential to impact other political movements in the 57-nation Islamic world.

- The uprising is the product of growing demands for change over the past dozen years. A reform movement has ebbed and flowed since 1997. But the new Green Movement now appears to be mobilizing a critical mass, despite the regime's use of political and physical force.

- Since the June 12 presidential election, the flashpoints have evolved from allegations of election fraud to challenges of the broader leadership. Growing numbers of Iranians are also questioning the nature and even legitimacy of this particular type of Islamic state. Recently, some in the opposition have begun calling for an Iranian republic instead of an Islamic republic; they've removed the religious symbol from their own versions of the Iranian flag. But the uprising is not yet a counter-revolution. If put to a referendum, significant numbers of Iranians might well vote to remain an "Islamic republic," albeit with as much or more emphasis on the rights guaranteed in a republic as on its Islamic character. The longer the political showdown continues, however, the greater the dangers of a wider erosion of support for an Islamic state and clerical leadership.

- Despite the regime's brutal crackdown, the Green Movement has sustained the most imaginative civil disobedience campaign in the Islamic world—and maybe the world generally – for more than six months.

- The opposition has so far kept to its pledge to engage only in peaceful protests, even when provoked by Iranian security forces. Its tactics represents a particular irony in the world's most volatile region: A regime that came to power through revolution, in a country suspected of secretly developing a nuclear arms capability, faces its biggest challenge to date from peaceful civil disobedience.

- Public protests are just one of many ways Iranians are challenging the regime. Just as significant are the commercial boycotts, challenges at public forums, currency graffiti, silent green-themed actions or displays, and other activities.

- In terms of its future, the Green Movement is a loose coalition of disparate political trends—reformers, conservative pragmatists, moderate conservatives, and liberals who don't like any of the others. The young and women have been the most active protesters, although the coalition includes former presidents as well as people who rarely if ever vote, professionals as well as taxi drivers, all ages, all classes, urban and rural, and both genders.

- Diverse opposition factions view the central issues from very different prisms; their long-term goals often vary just as much. And if it prevailed, this coalition-- like the coalition that brought down the monarchy in 1979-- could crumble just as quickly over different visions of a "new Iran."

Iran's New Political Schism: Five conclusions

FIRST, despite its unprecedented use of force, the theocratic regime has never been more vulnerable. And the idea of a supreme leader–a position equivalent to an infallible political pope–now faces a long-term challenge of legitimacy.

Iran has not witnessed this scope of brutality since the revolution and its vengeful aftermath against the *ancien regime*. The Revolutionary Guards and paramilitary *Basij* vigilantes are now more powerful than at any time since they were created. On July 5, Revolutionary Guards commander Mohammed Ali Jafari acknowledged that his forces had assumed control of domestic security; he called the crackdown a new phase of the revolution. "Because the Revolutionary Guard was assigned the task of controlling the situation, [it] took the initiative to quell a spiraling unrest," he told a news conference. "This event pushed us into a new phase of the revolution and political struggles."

Yet the opposition has not been silenced. A growing number of political and religious groups continue to publicly question the election, the crackdown and even the regime itself.

SECOND, given Iran's modern history, some kind of challenge was almost inevitable. For a century, Iranians have been political trailblazers in the 57-nation Islamic bloc and in Asia. Their quest for empowerment has played out in four phases.

During the 1905-1911 Constitutional Revolution, the first of its kind in Asia, a powerful coalition of intelligentsia, bazaar merchants and clergy forced the Qajar dynasty to accept a constitution and Iran's first parliament. In 1953, the democratically elected National Front coalition of four parties led by Prime Minister Mohammed Mossadegh pushed constitutional democracy and forced the last Pahlavi shah to flee to Rome--until U.S. and British intelligence orchestrated a coup that put him back on the Peacock Throne. And in 1979, yet another coalition of bazaaris, clergy and intellectuals mobilized the streets to end dynastic rule that had prevailed for about 2,500 years.

So the angry energy unleashed in both peaceful demonstrations and angry protests is the natural sequel. Each of the first three phases left indelible imprints that in some way opened up Iranian politics and defined what followed. The latest phase will too.

THIRD, the protests are not a counter-revolution—yet. The opposition is not talking about ending the Islamic republic. They're talking instead about what it should be, how to reform or redefine it, and how to make its officials more accountable.

The core issues are–in fact—not new. The main flashpoint goes back to the early debate between the ideologues and the realists over a post-revolutionary government. Ideologues argued that the first modern theocracy should be a "redeemer state" that championed the cause of the world's oppressed; restored Islamic purity and rule in the 57-nation Islamic bloc; and created a new Islamic bloc capable of defying both East and West. Realists argued that Iran should seek legitimacy by creating a capable Islamic state and institutionalizing the revolution. They too wanted a new political and social order independent of the outside world, while also being realistic about Iran's need to interact economically and diplomatically with the world.

For thirty years, the bottom line issue has been variations on the same theme: Whether to give priority to the revolution or to the state. Or, put another way, whether the Islamic republic is first and foremost Islamic, or first and foremost a republic.

The same theme issue played out in the presidential campaign. Ahmadinejad championed the revolutionary clerics' original vision of helping the oppressed, while Mousavi campaigned on the need for a viable and practical state. The same issues are central to the post-election turmoil. Mousavi warned that the large mount of cheating and vote rigging was killing the idea that Islam and republicanism are compatible.

So far, the opposition is not rejecting the role of Islam in the state. The rallying cry, after all, is Allahu Akbar, or "God is great." The opposition instead envisions a different role for Islam in the state. What is different now is that a debate that has been simmering among elites for three decades has now been taken over by the public.

FOURTH, the election crisis has further refined Iran's complicated and ever-evolving political spectrum. The fissures have, for now, coalesced many disparate factions into one of two rival camps: The New Right and the New Left.

The New Right centers around a second generation of revolutionaries who call themselves "principlists." Many came of age during the revolution's first traumatic decade. They provided the backbone of the Revolutionary Guards and *Basij* (or "mobilization resistance force") that secured the revolution during the chaotic early years. They were hardened during the 1980-88 Iraq war, the bloodiest modern Middle East conflict. In the 1990s, they went to university and entered the work force. After Ahmadinejad's election in 2005, many gained positions of political or economic power.

The New Right has effectively wrested control of the regime and the security instruments needed to hold on to power. In stark contrast to the revolution's first

generation, most are laymen, not clerics. They have effectively pushed many of the original revolutionaries, including big-name clerics, to the sidelines—at least for now.

The New Left is a de facto coalition of disparate interest groups that found common cause during the brief presidential campaign and came together in anger after the poll. Its organization, tools and strategy are weak. But the informal coalition does have numbers on its side.The New Left takes its name in part from former Prime Minister Mir-Hossein Mousavi, an opposition presidential candidate who alleges he won the election. As prime minister during the revolution's first decade, he was considered a leftist. But the name also reflects a common goal among the disparate opposition forces to open up Iran's rigid theocracy.

The New Left includes two former presidents, former cabinet ministers and former members of parliament. But it also includes vast numbers from the demographically dominant young; the most politically active women in the Islamic world; sanctions-strapped businessmen and workers; white collar professionals and taxi drivers; and famous filmmakers and members of the national soccer team.

Iran's political divide is now a schism. Many leaders of the two factions once served time together in the shah's jails; their mug shots still hang together in the prison—now a museum—once run by the shah's SAVAK intelligence. Today, however, their visions of the Islamic republic are at such sharp odds that it will be very hard to recreate unity among them. (The biggest wild card is foreign intervention or an outside military operation that would almost certainly lead rivals to take a common stand.)

FIFTH, the regime's survival strategy relies on militarization of the state. To push back the opposition, Khamenei may rely more on his powers as commander-in-chief than his title of supreme leader. The government's three main tactics are political rebuff, judicial arrest and mass security sweeps. Khamenei and the Council of Guardians have so far resisted all compromises, dismissed all complaints, and steadfastly reaffirmed Ahmadinejad's election. Security forces have arrested key opposition figures in the streets and during nighttime raids, including advisers and aides of Mousavi, which crippled his ability to communicate, plan or organize. Short-term, these tactics may be partly effective; long-term, however, they could backfire.

The Three Faces of the Opposition

The new opposition movement is ambitious, imaginative and determined. But it does not speak with one voice. Nor does it have a single leadership. The diverse factions see the issues through different prisms—and have disparate views of a "new Iran." The opposition has at least three layers:

1) the general public that launched the spontaneous protests and now goes the furthest in demanding changes to the system;
2) the traditional political elite, including two candidates defeated in the June 12 presidential election;

3) and the clerics, who have launched their own internal debate about the election, *the regime's behavior, and the nature of an Islamic state provides intellectual depth and legitimacy to the public campaign.*

There is, in turn, also great diversity within each sector.

FIRST, the public's civil disobedience campaign has been the most visible face of the Green Movement. The slogans shouted at sporadic demonstrations – Jerusalem Day in September, the U.S. Embassy takeover anniversary in November, and on National Students Day in December – have reflected the shifting tone and themes of the opposition.

- On Jerusalem Day, Iranians in the past shouted "Death to Israel." This year, protesters shouted "Death to Russia," because it was the first government to recognize President Ahmadinejad's reelection.
- At the U.S. Embassy anniversary, Iranians for years shouted "Death to America." This year many protesters shouted "Death to No One" and "Iranians scream peace with all peoples of the world."
- Some also shouted "A green Iran doesn't need nuclear weapons."
- Others sent a signal to the United States. They shouted, "Obama, Obama, you are either with us or with them."
- Finally, throughout the fall, protesters have also shouted damning slogans against their own supreme leader, such as "Khamenei is a murder. His rule is null and void."

But the less public displays of disobedience are just as critical in understanding the opposition's depth and durability. Three are particularly imaginative:

After the regime's clampdown began in the summer, the opposition launched a commercial boycott of goods advertised on state-controlled television. The boycott affected commodities from eggs to cell phones.

This fall, the opposition has been writing anti-regime slogans and graffiti on the national currency: a simple green "V" or "Long live freedom" printed with stamps on rial notes; pictures of Ahmadinejad printed with the word's "people's enemy" underneath; slogans like "Cheater Khamenei and power-hungry Ahmadinejad" or "Khamenei, the non-believer, is a servant of Putin" and "They stole oil money and give it to Chavez." Thousands and thousands of rial notes have been disfigured. The regime reportedly tried to take them out of circulation but had to give up.

Televised sporting events have also become a time to wear green to signal support for the opposition. In response, the government reportedly broadcast one game in black-and-white. Groups of men have also shouted "Allahu Akbar," or God is great at sporting events. Once the theme of the revolutionaries, it has become the battle cry of the opposition—one that makes it hard for the government to prosecute.

The scope of the Green Movement is also evident in individual acts that are uncoordinated and unpublicized in advance. Mahmoud Vahidnia was invited to a meeting

between the Supreme Leader and Iran's academic elite. The math student used his turn to ask a question to challenge the regime for some 20 minutes, warning that Khamenei lived in a bubble and was not aware of what was happening in Iran, and charging that elites on the Council of Guardians and Assembly of Experts had a stranglehold on power. Iranian television abruptly cut off the live broadcast, but not before it was taped and later transmitted on YouTube.

SECOND: The second layer is the political opposition by more conventional political elites, such as former Prime Minister Mirhossein Mousavi and former parliamentary speaker Mehdi Karroubi. Both lost to Ahmadinejad in the June election. Although they are still nominally "leaders" of the opposition, neither has come up with a viable plan-of-action. Their physical movements have been limited by the regime; their aides, relatives and allies have been detained or harassed. Karroubi is more of a political maverick and has demonstrated remarkable courage in publicizing claims of rape and torture in prison, but neither man has yet emerged as a long-term leader. There are, so far, no Mandelas, Havels or Walensas in Iran.

Iran's reform movement has always been a body in search of a head. It elected former President Khatami in 1997 because he was seen as the candidate most likely to press for some reforms; when he showed little willingness or ability to tackle core issues, the reform movement moved away from him. The movement rallied behind the lack-luster Mousavi because he was viewed as a man who had stood up to Khamenei when they served together in the 1980s and might be the only one able to do it again. But if he continues to fall short on action, the movement will almost certainly look elsewhere.

THIRD: The third layer is among the clerics themselves. This is the least visible face of the opposition but arguably just as important as the civil disobedience because it provides intellectual depth and legitimacy to the public campaign. It centers on internal debates—in public letters, in seminaries and universities, on websites, and among themselves--about the election, the regime's behavior, and the nature of an Islamic state.

The most important figure is the dissident cleric Ayatollah Ali Montazeri, who was originally designated heir apparent to revolutionary leader Ayatollah Khomeini. But his criticism of the regime's practices led to his dismissal just a few months before Khomeini died in 1989. After the June election, he issued a virtual *fatwa* dismissing the results. He urged Iranians to continue "reclaiming their dues" in calm protests. He also warned security forces not to follow orders that would eventually condemn them "before God." He wrote, "Today, censorship and cutting telecommunication lines cannot hide the truth."

In a scathing letter to other clerical leaders, he wrote this fall:

"The goal (of the revolution) was not simply to change the names and slogans but then keep the same oppression and abuses practiced by the previous regime…Everyone knows I am a defender of theocratic government…although not in the current form. The difference lies in the fact that I intended the people to chose the jurist and supervise his work…I now feel ashamed of the tyranny conducted under his banner. What we now see is the government of a military guardianship, not the guardian of Islamic scholars."

Another prominent dissident is Grand Ayatollah Yusuf Saanei, one of only about a dozen who hold that highest position. He's long been a critic but his position has grown much tougher since June. He expressed "abhorrence" for those behind the violence and sympathy for injured protesters, particularly students who "protested to restore their rights and remove doubts about the election." He said, "What belongs to the people should be given to the people. The wishes of the people should be respected by the state." During the show trials and purges, he wrote a public letter calling the prisoners' confessions "religiously, legally and logically invalid and worthless." He also urged protesters to continue peaceful resistance. And he blasted the regime for betraying the original goals of the revolution.

Another grand ayatollah, Abdolkarim Mousavi Ardabili, warned the Guardian Council that it "must hear the objections that the protesters have to the elections. "We must let the people speak." And Grand Ayatollah Asadollah Bayat Zanjani Grand Ayatollah said the protests were both lawful and Islamic. "Every healthy mind casts doubt on the way the election was held," he wrote. "More regrettable are large post-election arrests, newspaper censorship and website filtering and, above all, the martyrdom of our countrymen whom they describe as rioters." He, too, warned security forces that it is "against Islam" to attack unarmed people.

Clerical groups have gradually added their voices. The Qom Assembly of Instructors and Researchers issued a statement in early July questioning the neutrality of the twelve-member Council of Guardians, which certified the election. "Candidates' complaints and strong evidence of vote-rigging were ignored ... peaceful protests by Iranians were violently oppressed ... dozens of Iranians were killed and hundreds were illegally arrested." As a result, "the outcome is invalid."

The clerics are not just talk. Among themselves, they are also debating what constitutes good governance, what an Islamic state should be, and even whether an Islamic state is good long-term for Islam. Many Shiite clerics have long argued against having their own in charge, for fear that the human shortcomings of an Islamic government would taint Islam. Shiite clerics depend on their followers for income, power and position. Anger at the Islamic state carries potentially serious consequences for them too. In turn, the clerical debate has serious implications for Supreme Leader Ayatollah Khamenei. He and his position – the rough equivalent of an infallible political pope -- is under increasing scrutiny among his own.

Conclusion

The spontaneous protests by millions of Iranians set a powerful precedent for Iran as well as the wider Middle East. The full impact has yet to be felt. Just as Iran's 1979 revolution introduced Islam as a modern political idiom—redefining the world's political spectrum in the process—so too has the uprising signaled a new phase in the region-wide struggle for empowerment.

Three factors are likely to determine the future: leadership, unity, and momentum. The opposition is most vulnerable on the issue of leadership. It will be difficult to make definitive inroads without more active leadership or a viable strategy.

Unity is where the regime is most vulnerable. Officials have to be worried about long-term costs of the crackdown. Many government employees, including civil servants and even the military, have long voiced their own complaints about the strict theocracy. In 1997, a government poll found that 84 percent of the Revolutionary Guards, which include many young men merely fulfilling national service, voted for Khatami, the first reform president.

Momentum--the engine of action--may be the decisive factor. For the regime, the challenge has been to shift public attention to Ahmadinejad's second-term agenda. It may be a rocky course. His policies, particularly on the economy, are likely to face greater scrutiny; his proposal to cut national subsidies in favor of cash handouts to the poor was already rejected once this year by parliament. He is trying again. For the opposition, the calendar of Shiite rites, Persian commemorations and revolutionary markers is rich with occasions for public gatherings to turn into demonstrations, planned or spontaneous. The regime has many tools to put them down. But the arrests and trials also add new causes for alienation and opposition. With each new set of issues, the regime's image is further tainted, its legitimacy undermined.

In the midst of this turmoil, any actions by the United States and its Western allies may become an important factor – in many, often unpredictable ways. Arguments can be made both for and against new sanctions.

On one side, the regime could exploit new sanctions as an excuse to clamp down further on the opposition. New sanctions also hold the potential to hurt the public more than the regime, which has the means to circumvent at least some restrictions. Only about 20% of Iran's economy is private sector, which is often seriously impacted by sanctions.

On the other side, new sanctions may nudge more Iranians to press for political change. But depending on new sanctions to be a catalyst for decisive movement is a dangerous proposition. Persian nationalism is a powerful force dating back five millennia. Actions taken by the outside world have often been used to mobilize all sectors of Iranian society behind the regime, as was most visible after Iraq's 1980 invasion of Iran.

Mr. TIERNEY. Thank you. That was quite good. I appreciate that. Ambassador Dobbins.

STATEMENT OF AMBASSADOR JAMES DOBBINS

Mr. DOBBINS. Well, that is going to be hard to top. I am afraid, after the multimedia excursion, we are back to boring Washington long-talk.

I think all the witnesses, including myself, agree that further international sanctions will probably not compel a change in Iran's nuclear policies. Nevertheless, I think there are good reasons to pursue additional sanctions. There are, in fact, at least five distinct rationales for further sanctions. The obvious one is to influence Iranian policy. A second would be to promote positive change in the nature of the Iranian regime. A third objective is to degrade Iranian military and power projection capabilities. A fourth is to set a deterrent example for other aspirant proliferators. And, finally, whatever may be the hoped-for effect of sanctions, such measures provide an irresistible alternative to the other two options, which are even less desirable: the options of either doing nothing to respond to Iranian nuclear program, or going to war to prevent it.

Historically, sanctions have seldom forced improved behavior on the part of targeted regimes. Sanctions did not compel the Soviet Union to withdraw from Afghanistan, Pakistan to halt its nuclear weapons program, Saddam to evacuate Kuwait, the Haitian military regime to step aside, Milosovic to halt ethnic cleansing in Bosnia and Kosovo, or the Taliban to expel Osama Bin Laden. Stiff sanctions were applied in all of these cases, but it took either a foreign military intervention or violent domestic resistance, or both, to bring about the desired changes.

Now, while none of the above-named regimes altered their behavior in response to sanctions, all but one of them eventually fell. And sanctions may have contributed to their fall, but more as a gesture of solidarity with those seeking to change the regime, often by violent means, than as the prime cause. Universally supported sanctions in support of human rights in Iran might make a similar contribution, as they did in South Africa, in Haiti, in Serbia, in Iraq, and in Afghanistan. However, at the current moment, there is not much prospect of getting universally supported sanctions against Iran based on democratization as an objective.

The objective for additional sanctions in Iran is rather under consideration, in order to try to force Iran to abandon its nuclear aspirations. Sanctions so directed are unlikely to encourage, and could even diminish, domestic resistance to the regime. Most Iranians, as has been noted, including the democratic supporters, support Iran's efforts to master the nuclear fuel cycle. Sanctions that are applied for this purpose could well increase support for the regime, rather than the reverse.

Now, sanctions can definitely degrade the economic performance of the targeted state and thereby limit its military and power projection potential. That was certainly true in Saddam's Iraq. It was also true with respect to Haiti, Serbia, and Afghanistan. In each case, comprehensive and universally enforced sanctions made an eventual American military intervention even easier than it other-

wise would be. So sanctions as a prelude to invasion and occupation have a lot to recommend them.

Even unilateral American sanctions, for instance, against Cuba and Iran, have had some impact on the targeted country's economy and capacity to project power. Unfortunately, these unilaterally applied sanctions also have tended to bolster the targeted regimes and increase their domestic political support. Thus, paradoxically, unilateral American sanctions have both moderated and perpetuated the threat that such regimes present.

The exemplary deterrent effect of sanctions is hard to measure, but is probably the best reason for going ahead with further sanctions against Iran. If the international community failed to respond to the Iranian program, it would be giving a green light to other countries, including a number of countries in the region, to go down the same path. So that is certainly a reason to continue to sanction Iran.

Finally, we have the political imperative to not just stand there, but to do something. In situations where inaction is unacceptable and preemptive military attack unappealing, sanctions may provide the only alternative; and this is certainly one of the reasons that many outside the government and many of you will end up supporting sanctions.

While sanctions may offer an irresistible political fix to a policy dilemma, they are not cost-free. Virtually every country that has ever been sanctioned eventually had a revolution, changed the regime, and became an American aid recipient; and American aid to countries like Iraq, Afghanistan, the Balkans, and Haiti, has in large measure been directed to undoing the effect of sanctions. So, in effect, the American taxpayer does end up paying a certain proportion, and a not negligible proportion, of the cost of sanctions as they are applied over time. One can only imagine how much money the United States is going to provide a democratic Cuba to reverse the effect of 50 years of embargo.

To recapitulate, further sanctions against Iran are not likely to alter its nuclear policies. They will weaken the state economically and even militarily. Sanctions against Iran will serve, to some degree, at least, as a deterrent to other proliferators. Further sanctions are almost inevitable for the reasons I have suggested. The next question, therefore, is what kind of sanctions make sense.

We have heard from Robin and from others about the nature of the internal dynamic. There is basically a competition between the Islamic tendency in the regime, personified by the Ayatollahs; the republican nature of the regime, personified by elected politicians; and the revolutionary nature of the regime, personified by the Revolutionary Guard. And for 30 years these have been in some equilibrium. That equilibrium has been broken as a result of the fraudulent election and the popular reaction to it, and you are now moving increasingly toward a police state. But that is not necessarily a stable condition, and it could go in a number of different directions, including toward more democratization, toward a greater police state, or back toward some equilibrium.

It seems likely that sanctions that targeted Iranian society as a whole would promote the least desirable of these results; that is to say, the consolidation of a police state under the Revolutionary

Guard. Such would be particularly the case if the sanctions were to restrict the flow of consumer products, of which gasoline is probably the commodity most widely consumed. Such a ban would hit hardest those who own automobiles; that is to say, the urban middle class, precisely those whose pictures we have seen protesting against the regime and risking their lives to do so.

So an internationally opposed ban on the sale of gasoline would probably penalize the population, particularly the most politically progressive element of the population, and strengthen the most regressive elements in the regime. A unilateral American ban would be meaningless, as the United States does not export any gasoline to Iran. A unilateral American ban with extraterritorial application would seem to offer the worst combination of effects: penalizing the population, strengthening the regime, embroiling the United States in endless disputes with its allies, and disrupting the current international solidarity in opposition to Iran's nuclear aspirations.

So what to do? Strengthened sanctions are needed to reduce Iran's capacity to threaten its neighbors, to deter other aspiring nuclear powers, and to provide an alternative to even less productive courses of action. To achieve these results while minimizing negative consequences, such sanctions should be international. They should be targeted on the regime and on its nuclear potential. Such measures would include a comprehensive embargo on arms sales and on transfer of nuclear technology, financial sanctions focused on the military, on power projection capabilities, and on the internal security apparatus, and an international travel ban on those associated with all of these institutions. Sanctions would single out the leadership and impose even symbolic penalties on them, further delegitimizing that leadership in the eyes of the Iranian people. Sanctions designed to impoverish the country as a whole probably would have a reverse effect.

Finally, any sanctions need to be rapidly reversible. Admittedly, there seems little immediate prospect that the Iranian regime will alter its behavior in the near term. Nevertheless, on two occasions over the last 8 years, the Islamic Republic has made far-reaching overtures of cooperation and accommodation with Washington. Those offers were made in the immediate aftermath of the U.S. intervention in Afghanistan and then, a year later, its invasion of Iraq. In the mood of national hubris which prevailed in this country back then, Washington chose to ignore both overtures. We cannot predict if and when another such opportunity will arise, but we should ensure that our President is in a position to respond rapidly, if and when it does. This argues for including in any legislation broad authority for the President to waive or terminate sanctions in response to changing conditions.

Thank you.

[The prepared statement of Mr. Dobbins follows:]

TESTIMONY

Iran Sanctions

Options, Opportunities, and Consequences

JAMES DOBBINS

CT-337

December 2009

Testimony presented before the House Oversight and Government Reform Committee, Subcommittee on National Security and Foreign Affairs on December 15, 2009

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Iran Sanctions
Options, Opportunities, and Consequences[2]

Before the Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
United States House of Representatives

December 15, 2009

Further international sanctions will probably not compel a change in Iran's nuclear policies nor cause a halt to those programs. There are nevertheless good reasons to peruse such restrictions.

There are, in fact, at least five distinct rationales for further sanctions against Iran. The obvious one is to influence Iranian policy. A second would be to promote positive change in the nature of the Iranian regime. A third objective is to degrade Iranian military and power projection capabilities. A fourth is to set a deterrent example for other aspirant proliferators. And finally, whatever may be the hoped for effect of sanctions, such measures at least provide an alternative to two even less attractive options: doing nothing in the face of Iranian efforts to develop a nuclear weapons capability or going to war to prevent it.

Historically, sanctions have seldom forced improved behavior on the part of targeted regimes. Sanctions did not compel the Soviet Union to withdraw from Afghanistan, Pakistan to halt its nuclear weapons program, Saddam to evacuate Kuwait, the Haitian military regime step down, Milosevic to halt ethnic cleansing in Bosnia and Kosovo, or the Taliban to expel Osama Bin Laden. Stiff sanctions were applied in all these instances, but it took either foreign military intervention or violent domestic resistance or both to bring about the desired change. There is thus little reason to believe that sanctions, however comprehensive and universally respected, could compel the Islamic Republic of Iran to abandon its nuclear program.

While none of the above named regimes altered their behavior in response to sanctions, all but one of them eventually fell. Sanctions may have contributed to their fall, but more as a gesture of solidarity with those seeking to change the regime, often by violent means, than as the prime

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cause. Universally supported sanctions in support of human rights in Iran might make a similar contribution to regime change there, as they did in South Africa, Haiti, Serbia, Iraq, and Afghanistan. However, at the current moment, there is not the slightest prospect of getting such universal support, nor does the U.S. President or Congress intend this to be the rationale for the new sanctions.

The objective for additional sanctions on Iran currently under consideration is to force that regime to abandon its nuclear aspirations. Sanctions so directed are unlikely to encourage and could even diminish domestic resistance to the regime. Most Iranians, including most Iranian democratic reformers, support Iran's efforts to master the nuclear fuel cycle. As a result, even universally applied sanctions directed to that objective and targeted in on the Iranian populace are unlikely to contribute to the revolutionary regime's demise and could even help it rally domestic support.

Sanctions can definitely degrade the economic performance of the targeted state, and thereby limit its military and power projection capabilities. This was certainly true with Saddam's Iraq, which after 1991 was compelled to abandon its nuclear, chemical and biological weapons programs, and to see its conventional military strength diminish steadily, year after year, until the United States invaded in early 2003. This was also true with respect to Haiti, Serbia and Afghanistan. In each case, comprehensive and universally widely enforced sanctions made an eventual American military intervention even easier than it otherwise would have been. Sanctions as a prelude to invasion thus have a lot to recommend them.

Even unilateral American sanctions, for instance against Cuba and Iran, have had some impact on the targeted country's economy and capacity to project power, although poor economic policies on the part of these governments has probably been an even more important impediment. On the other hand, unilateral American sanctions also have bolstered the targeted regimes domestic political support. In other words, unilateral American sanctions have both moderated and perpetuated the threat such regimes present.

The exemplary deterrent effect of sanctions is harder to measure, but in the case of nuclear proliferation could be quite important. Were the United States and the rest of the international community to passively acquiesce to the development of an Iranian bomb, other regional states would be given a green light to go down the same path. One or more of them may eventually do so anyway, but the threat of becoming an international pariah should have some deterrent effect. This is one of the best reasons for pursuing tougher international sanctions against Iran, and the only rational with no clear downside.

Finally, we have the political imperative not to just stand there, but to do something. In situations were inaction is unacceptable and preemptive military attack unappealing, sanctions often provide the only alternative. This is not the place to rehearse in any detail the arguments for and against a military strike on Iranian nuclear facilities, but many experts believe that elements of that program can neither be found nor destroyed, and that an attack would lead Iran to redouble its efforts to develop a nuclear weapons capability, unite the Iranian public in support of the regime, legitimize the Iranian nuclear program in the eyes of many outside Iran and consequently dissolve the international consensus that currently exists in opposition to Iran's nuclear ambitions. Given these downsides to preemptive military action, sanctions become the default option, almost regardless of their efficacy.

While sanctions may offer an irresistibly appealing political fix to a policy dilemma, they are not without cost to the imposing states. In an immediate sense, of course, the consequences are principally borne by the targeted society. Paradoxically, however, some of that cost is eventually transferred, to the American taxpayer. This is because rogue regimes eventually give way to something better. When they do, the former pariah state invariably becomes a recipient of American aid, and the United States begins to pay to undo the consequences of that society's economic isolation. Much of the American aide for Haiti, the Balkans, Afghanistan and Iraq has been directed to repairing the ravages of American supported international sanctions. One day the American taxpayer will be called upon to do the same for democratic Cuba. Unfortunately these nearly inevitable costs are never considered, calculated or even mentioned when sanctions are initially imposed.

To recapitulate, further sanctions against Iran are not likely to alter Teheran's nuclear policies. Such sanctions will weaken the state economically and even militarily, but perhaps also strengthen the regime's domestic support and hold on power. Sanctions against Iran will serve, to some degree at least, as a deterrent to other potential proliferators. In any case, further sanctions are almost inevitable, given the paucity of other viable options. The next question, therefore, is how to structure further sanctions in a manner that best achieves positive objectives while minimizing the negative consequences.

Since 1979 the Iranian regime has been guided by an amalgam of ideological strains: the Islamic, the republican, and the revolutionary. The first is represented by members of the clergy who seek to promote and preserve their influence on the broader society. The second encompasses secular politicians and their supporters who take the democratic component of Islamic Republic's constitution seriously, and seek to strengthen the representative nature of the regime. The third

strain is epitomized by the countries dominant security force, the Revolutionary Guard Corps. Individuals often straddle these divides, and there are certainly reformist ayatollahs and even, reportedly, some reformist Revolutionary Guardsmen.

For the past thirty years, the equilibrium among these three shifting strains has favored first one and then the other, without ever fully eclipsing any faction. The present Supreme Leader has seen his role as a balancer, sustaining his influence and pivotal position by ensuring that no single faction becomes too strong. Last summer's fraudulent election and the outraged popular reaction to it have gravely upset this balance. Much of the secular political leadership and some of the clerical have openly resisted efforts of the revolutionary faction to ensure a second term for President Mahmoud Ahmadinijad. The resultant, so far peaceful revolt has forced the Supreme Leader to abandon, temporarily at least, his balancing role in order to support the forces of revolutionary order against those of republican reform.

This is not an inherently stable arrangement. Iran may be headed toward a real police state, with both the Islamic and republican factions permanently eclipsed and the Supreme Leader gradually marginalized. Alternatively, secular and clerical reformists might stage a successful "counter-revolution", although the odds in their favor do not currently seem very promising. Perhaps the most likely development would be for the gradual reestablishment of some rough balance among all three of these groupings.

Sanctions that target Iranian society as a whole would seem likely to promote the least desirable of these results, that is to say the consolidation of a police state under Revolutionary Guard leadership. Such would particularly be the case if sanctions were to restrict the inflow of consumer products, of which gasoline is perhaps the commodity most widely consumed. Such a ban would hit hardest those who own automobiles, the urban middle class, or precisely those who have been risking their lives daily to protest the recent election and subsequent regime crack down. Senior officials will get gasoline for their limousines no matter how scarce it becomes, and pay nothing for it. Much of the gasoline that does get through any embargo will be smuggled, and the smuggling will be controlled by the Revolutionary Guard, who will reap the profits produced by the resultant shortage. The more effective the embargo, the greater the shortages, the larger the Revolutionary Guards profits.

So an internationally imposed ban on sales of gasoline to Iran would probably penalize the populace, particularly the most politically progressive element of it, and strengthen the most regressive elements of the regime. A unilateral American ban would be meaningless, as the United States does not export any gasoline to Iran. A unilateral American ban with extraterritorial

application would seem to offer the worst combination of effects, penalizing the population, strengthening the regime, embroiling the United States in endless disputes with its allies, and thereby disrupting existing international solidarity in opposition to Iran's nuclear aspirations.

So what to do? Strengthened sanctions are needed to reduce Iran's capacity to threaten its neighbors, to deter other aspiring nuclear powers and to provide an alternative to the even less productive courses of complete inaction or a preemptive military attack. To achieve these results, while minimizing negative consequences, such sanctions should be international. They should be targeted on the regime, and on its nuclear and military potential. Such measures would include a comprehensive embargo on arms sales and on transfers of nuclear technology, financial sanctions focused on the military, power projection, an internal security apparatus, and an international travel ban on those associated with those institutions. Sanctions which single out the leadership and impose even symbolic penalties on them can help further delegitimize the regime in the eyes of the Iranian people. Sanctions designed to impoverish the country as a whole probably have a reverse psychological effect, generating a sense of solidarity under unwarranted foreign pressure.

Finally, any sanctions should also be rapidly reversible. Admittedly there seems little immediate prospect that the Iranian regime will alter its behavior or go the way of the former Soviet, Haitian, Serbian, Afghan and Iraqi regimes. Nevertheless, on two occasions over the past eight years the Islamic Republic made far reaching overtures of cooperation and accommodation to Washington. Those offers were made in the immediate aftermath of the US intervention in Afghanistan and then again following its invasion of Iraq. In the mood of national hubris that prevailed in this country back then, Washington chose on both occasions to ignore Teheran's overtures. We cannot now predict if or when another such opportunity will arise, but we should ensure that the President is in a position to respond rapidly if and when it does. This argues for including in any legislation broad authority for the President to waive or terminate sanctions in response to changing conditions.

Mr. TIERNEY. Thank you.

Thanks to all of you. I think your testimony was very, very helpful, and enlightening, as well. Let me start the questioning aspect of this.

I heard, Dr. Maloney, and I see in your written testimony, a statement saying the Supreme National Security Committee, which is one of the key institutions of the state, is responsible for nuclear negotiations and overall foreign policy coordination, but it appears to be functioning in crisis mode because of the bitter differences among the principals.

So, Ambassador, you have had as much direct contact with Iranians as anyone here, so let me ask you: is it at all the case that their failure to respond to the diplomatic overtures, so far is because there are various conflicting groups that you all testified to are just frozen right now politically, inside, and they are unable to agree on a way forward to even react to international overtures?

Mr. DOBBINS. I think that is likely the case. The regime clearly is both weakened and distracted by the reaction to the election. I was actually quite surprised that they were able to engage as quickly as they did and initially to agree to the proposals that the international community had put to them, but that rapidly degenerated into a national debate in which the reformers, among others, began to criticize the regime for the possible accommodation with the international community; and I think that does mean that as long as this degree of uncertainty, turmoil, weakness, and distraction continue, it is going to be very difficult to constructively engage the regime.

Mr. TIERNEY. I think [remarks off mic] blame them for exacerbating an already bad situation, or they feel that the world community is sort of ganging up on them and making their life worse, and they better get together and rally around the national flag. Do all of you come down on one side or the other of that argument, thinking that it is going to be a bad idea? I know, Ambassador, you just testified to that effect, and I think I heard that in the flavor of the others, that imposing refined petroleum sanctions and things of that nature would probably have the adverse effect of driving the general populous of Iran toward the current regime, and maybe buttressing them.

Dr. Maloney, we will start with you.

Dr. MALONEY [remarks off mic]. the population responds. Certainly, Iranians can walk and chew gum at the same time. They can detest their regime and also resent the international community for making their life more difficult. And, frankly, that has always been the historical reaction to the American sanctions regime among Iranians when you walk the streets; they want to know why they are being punished for the misdeeds of their own government.

I think the current conditions are chaotic and fluid enough that it is possible that Iranians may turn more toward the Green Movement in the aftermath of increased economic pressure, but it will not, in fact, persuade the regime to be more accommodating internationally. They will see themselves under greater threat and they will certainly be more difficult to deal with. Just as Ambassador Dobbins has suggested, the current situation is making it difficult for them to come to the table in a serious way and negotiate over

a sustained period of time with a clear and coherent position. If the internal temperature becomes that much more inflamed, then I think it will be that much more difficult to have a serious set of nuclear negotiations in the near future; and, as Robin has suggested, there is a time urgency to the nuclear dilemma.

Mr. TIERNEY. Dr. Lopez, you agree with that?

Dr. LOPEZ. Yes, I do. I would go one step further: the imposition of sanctions permits the regime to shift attention to a new level of competition, if not conflict, with the United States, and takes the eyes off what ought to be the main focus, and that is what is wrong with the Geneva Accord. We seemed, in early October, to have a reasonable degree of consensus with the Iranians. We want to keep our focus on that as a template around which we negotiate, and there may be ways in which the threat of sanctions over the next 3 to 6 months gives us much more leverage with the Iranian leadership than the imposition, because it doesn't permit the leadership to focus on new actions by the United States taken under conditions of new hostility; it keeps our eye on the central focus of what is wrong with this existing nuclear deal, that on paper looked fairly good to all concerned in early October.

Mr. TIERNEY. The statement I took out of Ambassador Dobbins' statement on this was the political imperative to not just stand there, but to do something. And I think you mentioned in your testimony that it seems to be driving a lot of Members, as well as anybody else; and it is a strong and powerful situation when you feel that somebody is not responding. Can we effectively target sanctions, say on the Revolutionary Guard or on some of the elites there, in such a way that it doesn't adversely affect the general population? Are there things left to be done that do not already exist in the current sanctions regime that we have?

You have the same problem that I have with the mic; we have to turn it on. Ambassador, we have to turn the mic on.

Mr. DOBBINS. Sorry. I think that things like international travel bans, financial sanctions directed at individuals, named individuals, targeting companies that are owned by the Revolutionary Guard, and, frankly, just labeling those individuals and those organizations as pariahs. And this has to be international to be effective. International sanctions that do that will further delegitimize the regime, encourage domestic opposition, and make the regime feel uncomfortable; and they won't like it, and that in itself can provide a certain degree of satisfaction, even if it doesn't produce the desired results.

Mr. TIERNEY. Thank you.

Mr. Flake, you are recognized for 5 minutes.

Mr. FLAKE. I thank the chairman and thank all the witnesses. This has been one of the most informative hearings I have been a part of for a long time and I thank the chairman for arranging it.

Dr. Maloney, you mentioned that the Iranian regime is already preparing to deal with IRPSA, for example. What examples can you give? How are they preparing?

Dr. MALONEY. In the summer of 2007, they instituted a nationwide gasoline rationing program that, despite some early tremors of unrest, was largely accepted by the population. It has been abused, it has been exploited, but, in fact, there is now a very

systemized rationing program, as well as a black market price for gasoline, which did not exist prior to that period. They have, in addition, put major investments into transferring most of the public vehicle fleet away from gasoline toward compressed natural gas, which, of course, they have vast quantities of. So they have sought additional sort of conservation measures; and they have, at least reportedly, been trying to stockpile gasoline, as well as activate some of the smuggling networks and craft deals with allies, including Venezuela, and possibly also China—there are conflicting reports on this—to expand their gasoline imports from those countries. Finally, they have also been investing in a major program of expanding and upgrading their own refinery capacity so that they will not be as vulnerable in the future to this.

Mr. FLAKE. Thank you.

Dr. Lopez, you have studied this a lot and we hear from the proponents of sanctions, particularly the petroleum sanctions, that other countries and companies that are dealing with Iran will simply have to make the choice: do they want to exclude themselves from the U.S. market, or the Iranian market. And we think they will choose to go with the United States. Is that necessarily the case, is it that simple?

Dr. LOPEZ. No, I don't think it is that simple. I think what has to come along with that assertion is what then is going to be the cost and the logistics of implementing and enforcing that. Imagine a world in which U.S. tankers in the Persian Gulf are confronting Venezuelan ships, who see themselves in solidarity with the Iranian people, trying to deliver refined petroleum.

Which crisis do you want to manage? I think we would want to manage a crisis with our Russian, Chinese, and other allies at the Security Council of a defiant Iranian regime that wants to throw out the IAEA, because we are on the stronger ground there, rather than shifting the terms of enforcement of an oil embargo, which has many, many routes for undercutting it. We have never had any success with secondary sanctions, that is, with those who have tried to participate in a sanctions regime by sometimes honoring it diplomatically, but undercutting it economically. That takes us, in a sense, on a side road that is only going to be a very, very long and difficult road for the United States to undo; it really becomes a sideshow that is not at all in our interest.

Mr. FLAKE. All right. Thank you.

Ms. Wright, you mentioned that some of the protestors were shouting, "Mr. Obama, you are for us or against us." What do you mean by that? If you say that they are not in favor of what is on the table right now in terms of what the United States is proposing, do you mean sanctions that will target or impact the population in general? What do they want the President to do that he is not doing, is it simply rhetorically getting behind them, or what?

Ms. WRIGHT. I think there is a particular focus or desire for the United States to take a much stronger role or stronger position on human rights. They are not looking for the White House to come out and support the Green Movement; in fact, that would end up tainting them and giving the regime grounds on which to prosecute more of them for being spies for the United States or agents of the United States.

But they do want to have a sense that the world, the United States, as the most powerful spokesman for the Free World, is willing to take a stand on behalf of them. The President's reference in his Nobel acceptance—the announcement was made about his Nobel Peace Prize and he referred just a little bit to Neda Sultan—not by name, but a situation resembling—he mentioned the situation when she died, and that resonated in Iran in enormous ways. It doesn't take very much.

Mr. FLAKE. Thank you.

In my remaining time, all of us up here have one of these, and we are going to be asked to go to the floor later today and use it: it is a voting card. With regard to IRPSA, if you had one of these and you were going to vote this afternoon, how would you vote? I realize arguments can be made this way, but we only have this card and we only have this vote today.

If we could start with Dr. Maloney, how would you vote?

Dr. MALONEY. I would vote against it.

Dr. LOPEZ. I would vote against these sanctions.

Ms. WRIGHT. I think there are a lot of problems with these sanctions and they could backfire.

Mr. DOBBINS. I would vote against them unless I got the kind of assurances that the chairman was talking about.

Mr. FLAKE. Thank you.

Mr. TIERNEY. The assurances, I don't know if you know what they were. They are either not to be implemented until the White House and the President, during the diplomatic initiatives, think it now essential to move to that point, or that he be given the flexibility to use them, but not be mandated to use them.

Mr. FLAKE. Those assurances are not within the legislation right now.

Mr. TIERNEY. Those are not in the legislation. The assurances that I am going to receive are that they will be in any final bill that we vote on after conference on that.

Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

First of all, I want to thank our witnesses. I think the testimony here has been very, very helpful in us making our decision. My only regret is that the other 430-something Members of the House are not here to hear your testimony as well, and I want to associate myself both with the remarks of our chairman and his conditions, as well as the concerns raised by the ranking member. You know, this could be a case where there is significant and courageous opposition right now in Iran, as Ms. Wright has so articulately presented. This could be a case of us snatching defeat from the jaws of victory. Just when there may be an opportunity here for an internal change within Iran, we may be doing something that defeats all of that.

I have very limited experience in this, you are the bona fide experts, but I look at the situation in Cuba and I have had an opportunity to review that firsthand. The support, the rallying around the flag effect, as Dr. Lopez has described it, it is a real phenomena, and I think that is what has kept Castro in power in Cuba, because he stood up to America and he also had a ready excuse: the embargo, for anything that went wrong in Cuba. He blames

tropical storms, he will blame that on the embargo, and it gives him great cover.

I have been to Gaza a couple times and the embargo there in Gaza has caused great rallying around Hamas, regardless of their incompetence and inability to deliver for their people. And I have a fear that we are going to—this is the best thing that could possibly happen to Mahmoud Ahmadinejad. I think that he is welcoming this. This will cause the Iranian population to rally around him.

So I agree with basically everything that has been said here this morning.

The one question I had was around the mechanics. Ambassador, you might be the best person to answer this. To really limit, to implement the Iran Refined Petroleum Sanctions Act, it would seem to require a naval embargo of some sort, and a land embargo to prevent refined petroleum from coming back into Iran; and I guess I am asking is this a proxy vote for military action here? Because I understand it is going to need approval by the U.N. Security Council, but this is a first step in that direction. So how would this work out in practice?

Mr. DOBBINS. Well, if such a measure were to get Security Council approval, the Security Council could also authorize enforcement measures, as was the case with Iraq, for instance, when it was even more—Iraq was forbidden from exporting its oil, for instance, which was an even more effective means of sanctions.

Mr. LYNCH. You are referring to the Iraq Oil for Food Program?

Mr. DOBBINS. No. I am saying that, the Iraq Oil for Food Program came later as an effort to ameliorate the effect of the earlier sanction, which was simply to ban Iraq from exporting its oil. And there were enforcement provisions that prevented Iraq from exporting its oil: we were allowed to overfly the country, we were allowed to bomb Iraq periodically, we could stop ships. And this was all authorized by U.N. Security Council. So, theoretically, you could do that.

First of all, you are not going to get a Security Council measure in support of an embargo on gasoline or refined oil products; that is not going to happen. Second, even if you did, you probably wouldn't be able to get authorization for those kinds of enforcement measures. So what we are talking about here is a unilateral U.S. measure with some extraterritorial application; that is, we will penalize foreign companies for engaging in this behavior by denying them access to our market.

I don't think that either the Congress or the administration would intend to use military forces to enforce that, so I don't think there is a danger that this would precipitate the administration is authorizing military action to enforce this. I think the enforcement mechanisms, if they were approved, would be legal mechanisms designed to penalize firms from, say, Great Britain or France or Germany, who sell products to Iran, from selling products in the United States; and we would get into endless legal hassles and diplomatic disputes with those countries.

Mr. LYNCH. Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you.

Mr. Duncan, you are recognized.

Mr. DUNCAN. Well, thank you, Mr. Chairman, and thank you for calling a very interesting and informative hearing. First of all, I want to associate myself with the opening remarks of my ranking member, Mr. Flake; I thought he made a good summary of what I wish was our position. I also agree with Mr. Lynch that it is unfortunate that all the Members couldn't have heard the presentation that has been made here this morning, because I think all of us know that this afternoon we will in the House, at least, pass this sanctions legislation by an overwhelming margin, and I think that is unfortunate because I think the witnesses have made a pretty convincing case that these sanctions, or this legislation, is not a good thing to do, at least at this time.

I think that we need a more neutral foreign policy toward the Middle East. I think we need to try very hard to be friends with Israel, but we also need to try harder and do more to be friends with other countries in the Middle East. I read, a year or so ago, an interesting book called All the Shah's Men, about Iran and some of our activities there. Unfortunately, in many other countries some of our activities to intervene in political or religious or ethnic disputes have created almost more enemies than friends for our country.

Basically, that is all I really have to say. I don't know if you have any suggestions as to how, ever, when we pass this sanctions legislation, how we could do that and still—if there is something more we can do to show the Iranian people that it is not really aimed at them, but really toward their top leadership, and almost even more toward one man at the top. If you have any comments or anything you wish to add, feel free to comment.

Dr. LOPEZ. Well, I would suggest, Mr. Duncan, that it is very, very important to get the extra rider in this bill out of conference that gives the White House some degree of flexibility on this: that the executive branch would judge when implementation, and under what conditions, would occur. And I think we ought to be much further down the road before that implementation occurs.

Mr. DUNCAN. Well, I think that is a good suggestion.

Ms. Wright.

Ms. WRIGHT. I was just going to add, very briefly, that there has always been a struggle on public relations on these initiatives and we never have been able, over 30 years, to explain ourselves and what our goals are to the Iranian people. Sometimes the White House or the State Department will come out with a statement simply saying "our target is not the people of Iran," but that doesn't go very far. The Iranians, of course, with their media monopoly, can spin this in a way, not just this bill, but any action taken by the United States, as something designed to hurt all Iranians. Any effort to portray the alternative, that this is designed to, in the end, help them could make a difference.

Mr. DUNCAN. All right.

Thank you very much, Mr. Chairman.

Mr. TIERNEY. Thank you, Mr. Duncan.

Mr. Quigley, you are recognized for 5 minutes.

Mr. QUIGLEY. Thank you, Mr. Chairman. As the relatively new person on the block, this is quite an education for me as well. And I appreciate the remarks that my colleagues have made about the

reservations that the panel seems to have about the effectiveness of sanctions, but I can't help read the obvious in the news recently, in the Times of London, about the Iranian nuclear weapon system being farther along than we had anticipated and, in recent news, much larger than we anticipated. So I hear that either sanctions don't work—and not just from this panel—or that they take a long time to work, or they must be specifically targeted with a lot of coalition assistance.

They haven't worked yet, with the exceptions and the limitations that the Ambassador has talked about, and they probably won't work in this set of circumstances, but we don't have a lot of time. And, with the greatest respect, I would suggest that it is not going to do the Iranian people, who we want to be friends with, a whole lot of good if they achieve a nuclear weapon or two, and they certainly have enough material. And that makes them, more than anyone else, a target for reprisal and for destabilization of the entire region, and a threat not just to Israel, but to our other allies and our troops.

So I guess I am saying Monty Hall isn't pointing to door No. 3; there is door No. 1 or door No. 2. If we are in a short timeframe, tell us the options then if you would vote against this.

Dr. MALONEY. I will take an opening crack at that. I don't think there are any good options, and that is something that Secretary Gates has been saying for many years now. It is something that most of us who work on Iran deal with every day. There are no silver bullets to a regime that has been in power for 30 years, that has survived endless crises, and will probably even see this one through, at least for the short to medium term.

I would raise just one point about the timeframe. The Iranian nuclear program is an urgent dilemma, but we are not yet at a stage where Iran has either a nuclear weapon or the capacity to deliver one—we are several years away from that period. And we need to give diplomacy some time to work. That means diplomacy using sanctions, using the combined weight of the international community working in coordinated fashion, for perhaps the very first time since the Iranian Revolution, to deal with this government. It means giving the Iranian democratic opposition some time to actually bring itself together, find a strategy, develop a leadership that can truly confront the regime.

But I am quite confident that, in fact, we can, over a period of several years, deal in a much more coordinated, much more effective fashion with Iran. Yet that needs to involve both diplomacy and economic pressure and, in particular, very strong coordination with the international community.

Mr. QUIGLEY. Well, wouldn't you acknowledge, Doctor, that the timeframe that we thought we were working with has compressed already? You are talking about taking a pretty big risk if we are assuming it is not going to contract again.

Dr. MALONEY. I am making no assumptions whatsoever, because I think, obviously, we don't know everything that there is to know about the Iranian nuclear program—and we were surprised in 2002 about the extent. We have been surprised by the regime's willingness and determination to push forward despite the threat of international pressure and sanctions.

But I think we also recognize that there have been technical problems with the program; that, in fact, despite the massive investment that the regime has made, they have not yet achieved a weapons capability. There is fuel that has been amassed, but there are ways that the international community can deal with that, and one of them, the very good, I think, proposal by the administration to export the LEU is one that can be continued to be pursued.

There are at least some signs that there are some within the Iranian regime who would support a revised review of that deal, and I think that is one of the aims that sanctions ought to be directed toward, rather than simply punishing the country as a whole, rather than simply trying to reap the highest economic price against Iran, because we know from past history that won't succeed.

Dr. LOPEZ. May I, Mr. Chairman, respond to this in that I think it really focuses us on what is a medium term goal; and the highest order of a medium term goal, it seems to me, is to create an environment in which it becomes far too costly for the Iranians to continue to reject IAEA guidelines and IAEA inspections. Let's remember that the Natanz Plant is still under IAEA guidelines. The primary generator of enriched uranium is still under international inspection and control.

One of the great advantages of the Iraqi sanctions over time was that we had a nice linkage between the pressure of sanctions and the maintenance of inspections. If you wanted the sanctions lifted, you had to be continually forthcoming with inspections. And I think to the extent to which there is pressure on this government to worry about a longer-term time clock, and sanctions is the answer, well you then targeted limited sanctions against key component entities that supply high level components to the regime or elements of the Revolutionary Guard—identifiable people who are in charge of the nuclear program, to the extent that they can be targeted, sends the appropriate message of urgency but also doesn't risk the possibility of the Iranians expelling the IAEA or withdrawing from the NPT.

So we want to keep this tense synergy between those, and there is a way in which the greatest dilemma that Congress faces is that all the available tools seem to be a toy store that we can mobilize. In fact, you have to be very astute and selective about how to do that with a medium-term goal being continued dialog and inspection by the IAEA.

It may be that the end point—2011, 2012, or 2013—puts us in the same position as the one we were in with Libya. I would make the case that sanctions were very successful in turning around Libyan commitment to terrorism and to its weapons of mass destruction program. We had to go past the eleventh hour and, fortunately, we didn't sacrifice constructive engagement—even when they went beyond the threshold that we hoped they would not. They woke up 1 day and realized that a nuclearized state is not all it is cracked up to be.

We may have to go through that entire threshold with the Iranians. I hope we do not, but I think only a strategy of constructive engagement and a step-by-step approach to medium goals will get us to where we want to be.

Mr. TIERNEY. Sure.

Ms. WRIGHT. If you are looking for impact, the kinds of sanctions that have had the biggest impact on the regime are the banking sanctions imposed by the Treasury Department. This is something that has mobilized the international community because of laws passed after 9/11 that make every bank responsible for knowing their origin of the flow of money that they have in their banks and, as a result, the five largest banks in Iran have been crippled from doing international business. Expanding that avenue, that type of sanctions, even though it does have impact on the people, makes the regime sit up and notice, and it ends up paying a real price because it can find alternatives, but at a much higher price.

Mr. QUIGLEY. Thank you, Mr. Chairman. I just want to know, as you say, though, that sanctions worked and they did, as you suggest, hurt the Iranian people at the same time. I mean, it is very complicated and difficult, but you challenge us not to use the only tool we have right now, to a certain extent, if you start limiting what sanctions we can use.

Ms. WRIGHT. You asked what works, and this is something that, very quickly, has had an impact. I lived in Africa for 7 years: the last 7 years of sanctions against Rhodesia and sanctions during Apartheid, and it takes a very long time for sanctions to work. The impact of banking sanctions has been almost unprecedented of any case around the world in terms of how quickly it has made a regime sit up and notice; how big a price, literally and politically, it has exacted.

Mr. TIERNEY. Thank you.

Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman, and I want to thank our witnesses, as well, for being here and their testimony.

In today's Post, Danielle Pletka, and I believe I am pronouncing that name right, has a piece in there—a pretty compelling piece—and the writer talks about this. She believes the administration has kind of resigned itself to a nuclear-armed Iran and is moving in the direction of a "containment policy." I would like to get your reactions to the premise of the piece. And then, also, kind of moving into what Ms. Wright pointed out in her opening statements, if in fact that is the case, that this containment policy is what is being pursued, the implications that has for our country to support the reform or democracy movement that is in Iran.

So we can just go down the list and you can fire away.

Dr. MALONEY. I would disagree that the administration, at this stage, has settled on containment. I think that really belies everything that has been done, particularly the very creative and positive proposals that were put forward and originally agreed to by the Iranians to export the LEU and support the Tehran research reactor deal.

So I just don't see that evidence. I think that we need to be planning for that eventuality, simply because we can't predict the way these sorts of things play out, as we learned from both India and Pakistan. There may be drivers that force this regime to move forward more quickly that, in fact, produce a nuclear-armed Iran more quickly than we anticipate, and we should be prepared for containment if and when that comes. That needs to be done quietly

and discreetly, but I would hope that planning is already underway.

I do not see that as in any way contrasting or undercutting the very strenuous diplomacy that we have had, resetting the relationship with Russia, putting forward serious proposals toward the Iranians, and actually, I think, very quietly mobilizing at least some international support for the kinds of multilateral sanctions that would be effective—because I think no one on this panel has said that sanctions should never be used, but simply that they need to be used only where and how they are most effective.

In terms of how that coordinates with our support for the Iranian opposition, I would say, quite frankly, that the Iranian opposition is a force that we neither created nor anticipated, and our support—while important because we are a moral leader, because we have a certain responsibility given our history, given our ideals—to voice those sorts of ideas, our support is not going to be what changes the future for the Iranian opposition. Iran is a proud country that resents the interference of foreigners very deeply. Fifty years later, they still deeply resent, as one of the other representatives suggested, the involvement with the Mossadeq affair in 1953. I don't believe, at this stage, that anything other than moral support for the opposition would be useful or welcome from that side, and I do believe that opposition, in fact, will succeed over time, simply because it represents the view of the large swath of the Iranian people.

Mr. JORDAN. Mr. Lopez.

Dr. LOPEZ. Thank you. It is a very, very important question. I detect, through dealing with people on the National Security Council and elsewhere, no resignation to the containment strategy. In fact, I believe that the good example here is the way we are dealing with the North Korea nuclearization problem; that is, we are going to find every diplomatic and, in the North Korean case, sanctions-based way to roll this back. So I detect a strategy that—on the one hand, counter to where I think we have been for the last decade—rejects the notion that there is an immediacy to the ability to apply increased pressure and then somehow arm twist the Iranians into changing their behavior. The new realism I detect in town now is that we know we are dealing with a very determined regime which has domestic, cultural, and other reasons to move only straight ahead with nuclear development.

Now, how do we show them that is a choice that has consequences without immediately imposing penalties? How do we hold before them a vision of be careful what you wish for, when you get it, as you deal in your neighborhood and as you deal in the rest of the global community? How do we find a way for them to match their own rhetoric with a responsible participation in the global community's concerns about nuclearization? I think the contingencies will be there for dealing with this, but I like the notion that this current approach sees a very, very long road ahead, and if the measures we don't take result in the desired turning back away from the program and an export of uranium, if they go nuclear, we have models for which to deal with that, as we have executed in Libya and in North Korea; that is, in a sense we are playing, if you

will excuse the sports analogy, with two game plans: one for regulation time, and one for if we have to go to overtime.

Ms. WRIGHT. I don't have much to add except that containment is the end of the process, and we are still at the beginning.

Mr. DOBBINS. Well, I think, first of all, you have to understand it is perfectly logical for Iran to be pursuing nuclear weapons; they are surrounded by other nuclear powers and they are at a level of sophistication and capability which allows them to achieve a nuclear capability. If Barack Obama or George W. Bush were elected president of Iran, they would be pursuing a nuclear capability; any leader in that geopolitical context would be. The question is can you, first of all, move toward a regime that is not threatening its neighbors ideologically, so that people are more relaxed about it and, second, create incentives and disincentives that persuade them that a nuclear capability is not in their interest.

We have already seen North Korea cross a nuclear threshold, and the current policies are to roll it back; and there are fairly massive sanctions that are in place, and also some fairly substantial inducements that are being offered to try to roll that back. So Iran crossing the nuclear threshold is not necessarily the end of the world and it doesn't mean, even if it happens, that you are going to live with it indefinitely or try to live with it indefinitely.

One of the reasons, as I have said, for substantial and mounting sanctions against Iran is to persuade other countries that they don't want to do the same thing. So keeping Iran in its pariah status, even if it achieved nuclear weapons or nuclear capability, would be sound policy, in my judgment. So I don't think we should set an absolute deadline here.

That said, we are not going to physically prevent Iran from getting nuclear weapons by anything short of invasion and occupation. Bombing might delay it, but not indefinitely. Therefore, we are going to have to continue to pursue a track which involves mounting sanctions, continued engagement, and international solidarity in an effort to arrest, slow, or eventually, if necessary, roll back this program.

Mr. TIERNEY. Thank you.

Mr. Luetkemeyer.

Mr. LEUTKEMEYER. Thank you, Mr. Chairman, and I thank the witnesses for their testimony; it has been very compelling.

I happened to have the opportunity to go to Israel back in August, and our group, both Democrats and Republicans, met with the leadership, both there in Israel, as well as in Palestine, and they were adamant in their analysis of the situation that Iran would have the nuclear capability by the end of the year. If that is the case, I think it is being very naive, from the testimony we have heard this morning, that we have plenty of time with which to deal with this. I think that a sense of urgency is necessary in order to be able to confront this, have a plan ready to confront it. I haven't heard that plan yet this morning. I have heard some ideas, but I haven't heard that plan. And if we are going to be ready for this, we need to have a sense of urgency belying an ability to contain this or deal with it, as the Ambassador just said.

One of the concerns I have is that sanctions are only part of one of the layers of ways to deal with this, and diplomacy is one of the

ways. But the folks in the Middle East don't seem to be able to understand that with diplomacy comes commitment; and they don't seem to be willing to live up to commitments. We can get commitments from them, but they are just ignored; it is just a statement that they can throw away. There doesn't seem to be any willingness to complete their commitment.

So, in that light, knowing we have a sense of urgency, knowing we have a difficult group to deal with, knowing that they probably, if they don't have it already, will have nuclear capabilities very shortly, where do we need to go with our sanctions and our diplomatic efforts? Because if we get another North Korea, which ignores diplomacy, which ignores the international community, how do we deal with those folks?

Ambassador, would you like to start?

Mr. DOBBINS. Well, first of all, I think that deadlines and a sense of urgency may tend to work against us, rather than for us. They don't feel a sense of urgency. If we feel a sense of urgency, then we are the ones under the gun and we are the ones who are constantly pressured to come up with new ideas, new proposals, new diplomatic offers.

Mr. LUETKEMEYER. Yes, but don't you feel we need to be ahead of the curve on this? Don't you feel we need to be proactive, rather than reactive?

Mr. DOBBINS. I am not arguing that we shouldn't be. I am arguing that we need a sustainable policy, a policy that will continue to penalize Iran, will continue to make it, over the longer term, unattractive for Iran to either gain or retain a nuclear capability. We need to maintain international consensus which isolates Iran and penalizes them in that regard. And to the extent we become fixated on a particular deadline, we are the ones who then become under pressure; we are the ones who then find our position weakened by that kind of time pressure.

So I understand the apparent urgency. Now, I am not sure you said the Israelis thought they would have a nuclear weapon by the end of the year. I don't know what year that refers to.

Mr. LUETKEMEYER. This year.

Mr. DOBBINS. Well, they are certainly not going to have one by the end of this year, so I think we can dismiss that possibility. I don't think they are likely to have a nuclear weapon by the end of next year, either.

Mr. LUETKEMEYER. Well, with all due respect, Mr. Ambassador, here is an article from the Times online, December 14th, Secret Document Exposes Iran's Nuclear Trigger. They have their final component of the nuclear bomb; they are working on it as we speak.

Mr. DOBBINS. If Iran has nuclear materials for a weapon, they have a facility we don't know about and can't bomb, because we don't know it exists and we don't know where it is. So if Iran could develop a nuclear weapon at this point, they would do it in a way that we would have absolutely no way of stopping, unless we invade and occupy the entire country.

The uranium they do have, which we know about, is not capable of creating a bomb, and wouldn't be capable of creating a bomb for several years because it requires extensive further enrichment,

which the Iranians do not, at the present, have the capability to do, but which they could do over an extended period of time.

So it is possible they have nuclear material we don't know about, but, if so, then our options are pretty limited.

Mr. LUETKEMEYER. Well, not to belabor the point, but Dr. Maloney made the point in her testimony that gave at least two examples where we had underestimated what was going on in Iran. To me, if we have already underestimated twice, it would seem logical that it is very possible we underestimated them again; and when you are dealing with a nuclear bomb and a regime such as that, to underestimate those folks is very, very dangerous.

Anybody else like to comment on the discussion?

Dr. MALONEY. You also posed in your question the idea of where do we go next, and I think that needs to be the focus of the deliberation at this stage, and particularly with respect to IRPSA. Where we go next is not more unilateral measures that have limited or counterproductive impact within Iran. Where we go next is to the U.N. Security Council; test how successful we have been in changing the dynamic with the Russians, test how serious the Chinese are, as they have suggested, at least, in some rhetoric, about applying new pressure to Iran, and test the Europeans and see if they are finally willing, for perhaps the first time since the Revolution, to put their money where their mouth is when it comes to Iran.

I think that is the route that we go. And we will not succeed fully, but I think that we can have some real impact in crafting the kind of measures that, as Robin suggested, have already begun to make important elites within Iran, people who really do have some influence over the future of its policies on core security issues, stand up and take notice; and that is the sort of thing that can pay off, but it will take time.

Mr. LUETKEMEYER. I appreciate your responses and I would love to ask more questions, especially with regards to how in the world we can get the rest of the world to go along with us when half the world sides with Iran right now, but I realize my time is up.

I appreciate the chairman's indulgence. Thank you.

Mr. TIERNEY. Ms. Wright.

Ms. WRIGHT. I just have one brief thought. Implicit in your statement is some knowledge that we have about where Iran is, and the bottom line is you think we knew too little about what was going on in Iraq, try Iran—we know even less. And that is a sobering reality when it comes to figuring things out down the road.

But I will also say that if you thought Iraq was a complicated war, try Iran. The military option is not just an issue of using strategic bombing of suspected targets, which would clearly backfire and clearly galvanize the population around the regime, however much they hate it, but, because of the nature of conflict in our own deployment of troops in both neighboring Iraq and Afghanistan, force the United States to engage in something that was far broader and would look like an open-ended war with Iran.

So I think that when we talk about these options, yes, sanctions are frustrating. But the military option is one that is so costly, and we make assumptions about being able to go in and having some impact, that could be, in many ways, the worst thing to do, because

it would also encourage people to think they need the bomb to protect themselves.

Mr. TIERNEY. Thank you.

Mr. Luetkemeyer, I can offer two things. You weren't yet a member of this committee last session when we had a hearing on the war gaming of just what would be entailed in having a military response and what would be the ramifications, so the committee staff would be more than willing to make those materials available to you if you think they are useful at all, with the testimony of the various witnesses on that. I think there were graphs and charts and all of that.

The other thing you might find useful, although I suspect we are a little late for the vote today, you might find it useful if we can arrange for the Intelligence Committee to give you a briefing on what it is that we do know. I think everybody acknowledges we don't know everything on that, but it is just as dangerous to overestimate their capacity as it is to underestimate it; and if you want to raise that directly, it is fine. If we can be helpful in that, we will certainly try to do that with you.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Mr. TIERNEY. You are welcome.

Mr. Flake.

Mr. FLAKE. I ran out of time before I could ask Ambassador Dobbins first, and maybe the others if they want to comment, with regard to the mentioned advisability of the sanctions route, the economic sanctions route, of international cooperation and getting our allies on board. Does it make it more difficult, or do we help by leading, imposing our own unilateral sanctions?

And there may be a mix of both, I understand, but let's take today's action in the House with IRPSA. Does this complicate the likelihood of getting our international allies on board on other, perhaps more effective sanctions, or some variant of these sanctions? How does that impact us moving ahead, the fact that we are going to impose these in the House? The Senate may not go there, it may look different in conference, I understand, but I just want you to talk to the advisability of leading on this. Is it something that our international partners are looking for our guidance on or is it more useful, and I tend to think, and I want to see if you agree, to move in concert with them?

Ambassador Dobbins.

Mr. DOBBINS. I think that the element of the bill that you face, as I understand it, that would disrupt international solidarity and make agreement more difficult, is the extraterritorial elements, the effort to use U.S. law to impose sanctions on foreign companies for doing something that is perfectly legal in their own country and perfectly legal internationally. We have done that in the past and we have ended up backing away from it because of the virulently negative reaction of our closest allies to being manipulated in that fashion.

Mr. FLAKE. If I could interrupt for a minute. Within IRPSA, that is precisely what we are doing, is it not?

Mr. DOBBINS. Right. Exactly.

Mr. FLAKE. Dr. Lopez, do you have a comment on that?

Dr. LOPEZ. I am in agreement with you on this and I think I would just add two layers to this. One is in terms of the multilateral versus unilateral dynamic, it needs to be more widely understood in the Congress how the Russians and the Chinese share very much our view that a nuclear Iran is in no one's interest.

And if we believe we have to march down the road of leading with economic coercion so that we persuade the Russians and the Chinese, we are already on the same plain on this; and I think that is what pushes us to think about more astute arrangements than are built into this legislation.

Second, I believe we have a new era of good feeling around the Security Council table that has been hard earned over the last 2 years, and that concerns, particularly in this town, that the Security Council is either inept or the environment is not right there for us. In fact, within this week I think the United States has shown remarkable leadership in the Security Council, in the reformulation of the 1267 guidelines with Russian and Chinese partners.

I think we are at a unique moment in which the multilateral may need to lead the domestic, and we would be much better off in a technical sense saying the United States has in its holster, if you will, a set of punishing sanctions, but because our highest order of priority is changing Iranian behavior in concert with its region and in concert with the globe, we are keeping that powder dry. But it is very clear what we can do technically and economically, but at this moment we choose not to because we believe this is a global concern of which we are pleased to play a part.

Mr. FLAKE. Dr. Maloney.

Dr. MALONEY. Let me just add one final point. Under IRPSA, as I understand it, currently formulated without flexibility or waiver authority, we would have to sanction Chinese companies. And if you think that is going to make it easy to bring the Chinese on board with the kind of sanctions at the Security Council that would actually have an impact in Iran, I think there is some obvious conflict there. The Chinese have an enormous interest in investment in Iran, and if we can in any way encourage them or coerce them to use that leverage with Iran, that would be far more valuable. They are unlikely to do that if we are involved in the business of sanctioning their energy firms.

Mr. FLAKE. Thank you very much.

Mr. TIERNEY. Mr. Foster, you are recognized for 5 minutes.

Mr. FOSTER. Well, thank you. And my apologies for not being present for all of your testimony here. But I am specifically interested in the possibilities for further micro-targeting of financial sanctions toward different segments of society that might actually provide us with some leverage to try to encourage the developments that we want to happen in government there. Obvious targets would be individual institutions and banks, or maybe sections of the ruling class that might realize that their hold on power is a little bit shaky and they may be shoveling their assets offshore, or elements that we think might be friendly toward developments we want to encourage and making their financial lives easier.

I was wondering if there is anything that we are missing, anything Congress can do to encourage or enable that sort of better targeting of financial sanctions.

Dr. LOPEZ. I am willing to respond. I think this particular leadership in Treasury has examined this in detail and I have great confidence in Mr. Levey for knowing what that is; and there have been a number of discussions, as you know, about that. I think the focus of this should be on those entities whose activities are most auspiciously in violation of the U.N. Security Council resolutions passed in 2007 and 2008, which restricted higher levels technologies and the movement of moneys to support the nuclear program.

I think with the revelations that the Congressman has noted earlier—of the possibility of trigger devices, the movement of scientists, etc.—I think we have possibilities of looking into new areas where this kind of micro-targeting would be very effective. It has a combination of sending a very, very strong message that our intelligence is state-of-the-art; that there are ways in which we are trying to focus on the nature of the problem, which is nuclear development, and not the whole economy; and it also has the ability to be voided very quickly if we need to reward compliant behavior.

Dr. MALONEY. Can I just add to that? I think, in addition to micro-targeting and looking for the most important constituencies within the regime to influence, we also need to think about the way that we are implementing sanctions; and one of the, I think, existing holes—and it is well known—is Iranian economic interests in Dubai. To the extent that we can get the UAE, the Dubai Emirate in particular—to step up its scrutiny and make its financial transactions with the Iranians more difficult, that will have, I think, some significant impact on the regime elites who currently support the nuclear strategy.

Mr. FOSTER. Is there any detailed knowledge about segments of Iranian society moving their assets offshore, into places where we might or might not be able to see? There are a lot of things happening in the financial services bill that is intended to give us leverage to pry open places like Switzerland, and I was just wondering if that is a source of frustration in understanding what is really going on there and where we could apply leverage.

Ms. WRIGHT. There has been an enormous drain of capital in Iran by both people in the regime and others. As Suzanne mentioned, Dubai's economy is now fueled significantly by the inflow of Iranian businesses that have basically set up shop there to get around sanctions. So they bring their goods, or whatever their office is involved in, to Dubai, running out of Dubai, and then they ship things across the Gulf or use that as their backup office. But Dubai, at the moment, is also looking for any source of income it can get, so how much pressure we can actually put on Dubai is very tricky.

Mr. FOSTER. OK. Well, thank you, and my apologies again for only covering part of it.

I yield back.

Mr. TIERNEY. Thank you.

Mr. Luetkemeyer, do you have any further questions?

Mr. LUETKEMEYER. Yes, I just have one, Mr. Chairman. Thank you.

We talked about the opposition many times. How strong is the opposition? How well organized is it? Where do you feel that it is going to grow to?

Ms. WRIGHT. There has been a reform movement that has been vibrant since the early 1990's in Iran; it took root officially with the election of President Khatami in 1997, but it never had critical mass. Today it does and it crosses all sectors of society. You have people who were among the original revolutionaries, as well as people who have never been involved in politics and hate the system. It has all aspects of societal life. I had some of the slides, I think before you arrived, of women old and young; you have taxi drivers, as well as professionals. This is something where everyone has been affected.

And I know we talk a lot about the Revolutionary Guards and kind of lump them together, but one of the things you need to remember is that even within the military, including the Revolutionary Guards, there is dissent. In 1997, the Iranian polls found that 84 percent of the Revolutionary Guards voted for President Khatami, the reform president. Every young man has to do service in the military and many opt to do the Revolutionary Guards because their training is better, it helps get them entry to university, and, most of all, because they get off at 2:30 p.m., and then the young men can go off and get a second job, as many young men have to do to support their families in this bad economy.

So we need to be very careful in looking at lumping any sector of society in one basket. There are even confirmable reports from some of the housing compounds from the Revolutionary Guards that there were people shouting from the rooftops at night, you know, "Allahu Akbar" and "down with the system," so forth.

Mr. LUETKEMEYER. What percentage of the people do you believe either belong to or strongly support these efforts?

Ms. WRIGHT. I would be dishonest if I told you I had an exact number, but I think that there are vast numbers who either support the opposition, or are disillusioned with the regime because of their treatment of Iranian society over the last 6 months. Do I think it is the majority? I can't honestly tell you, but I think that to brave the kind of repercussions, whether it is going to jail, facing torture, potential rape, and that people still get out in the streets, still engage in civil disobedience in very imaginative ways is stunning, and there is nothing like it anyplace else in the world today.

Mr. LUETKEMEYER. OK, you made an excellent point with regards to how some sanctions would hurt the people in this group, and they are very politically oriented toward their own world and very defensive and very protective of it. What do you think, if we could have them write our policy, what would they like to see us do to hurt the regime, and yet be able not to hurt their people? What do you think the suggestions would be from them?

Ms. WRIGHT. Well, as I tried to suggest earlier, I think that the one common denominator among all three layers of categories of activism is a desire to see the regime pay the price: the specific individuals, the Revolutionary Guard leadership, the Basij, the head of the young religious vigilantes. But they also know that there are lots of little loopholes, so that in the case of an individual who may be sanctioned, his kid may be in Europe in school. The head of

household may be affected by the limitations, but it doesn't affect their broader life and the ability of them to generate players in society down the road.

So they are interested in seeing us support human rights issues, give greater attention, acknowledge what is happening without saying, you know, we are going to allocate $400 million to support the Iranian opposition. That is not what they are looking for. In fact, they don't want any American money for fear that it will taint them.

Mr. LUETKEMEYER. OK. Very good. Thank you very much.

Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you.

Mr. Flake.

Mr. FLAKE. I just have one other question.

Ms. Wright and others have mentioned the more effective sanctions or efforts to disrupt or impact the regime have been financial banking regulations. OFAC, or the Office of Foreign Assets Control, currently does that. Do they need any more authorization or authority from Congress to do things that they aren't doing now? I would like to see them be more active, not chasing Americans with suntans coming back from Cuba. Rather, they should do what might benefit us more. Do they need more authority from the U.S. Congress in that regard?

Dr. Maloney, do you have thoughts on that?

Dr. MALONEY. I think, in contrast, the Treasury Department has been very creative in using the existing authority, and particularly some of the regulations passed after 9/11 that specifically target financial support for terrorism and proliferation of weapons of mass destruction, and using those kinds of measures in ways that they probably weren't originally envisioned to target Iran, to make it more difficult for Iran to continue to do business with the international community. The big dilemma of applying pain to Iran is that as long as they sell oil, they are making tens of billions of dollars a year as a regime, and I don't think that there is currently international support for a full-fledged oil embargo on Iran. But we can make what they do more difficult, more painful, and more expensive; and to the extent that we do that, it tends to hurt those who have some influence over regime policy.

Mr. FLAKE. But OFAC has the authority that they need?

Ms. WRIGHT. I think that they have a lot, and they have used it very well lately.

Mr. FLAKE. Thank you.

Mr. TIERNEY. Thank you.

One of the interesting things is, in Treasury, they have quite a defined list of Iranian Revolutionary Guard, other people on that from which we can choose to apply or not apply certain sanctions on, and they refined it quite well to move forward on that.

Let me just ask one last question from me to Ms. Wright, whose slide show was great. Thank you very much for sharing it with us. There is a bill that was filed either yesterday or today that would seek to remove technology like Twitter or Google, from sanctions in Iran things like that, for non-governmental aspects on that. What are your thoughts about that? What impact would it have? Would you be favorably disposed to it, or not?

Ms. WRIGHT. I think the opposition would be stunned and pleased that the Congress was enlightened enough to understand something like that. The regime would probably use it for its own ends, but if it would actually—and I don't know the answer to this question—if it would actually change the accessibility of technology to the opposition. This has been one of the big obstacles. Just like the Revolution in 1979 was the most modern revolution in the use of the fax machine and the tape cassette, what these kids have done is really unbelievable given that they don't have the same kind of access that we do, and how they have gotten around the bans by the government. So it is a very creative idea.

Mr. TIERNEY. I didn't mean to imply to our other three panelists that they couldn't Twitter or Google on that, just that you had done the presentation. I thought that you probably, with your background, had a better insight into it.

Are there any members of our panel who have a comment that they want to share with us, one they feel that they wouldn't have told us all that they need to tell us before they leave if we don't cover that area?

[No response.]

Mr. TIERNEY. Then I want to thank all of you very, very much. You were terrific witnesses; you helped us get a focus on this and we appreciate your time and your information. Thank you very much.

Meeting adjourned.

[Whereupon, at 12:02 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

PREPARED TESTIMONY OF
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SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

Dec 15, 2009

Hearing on Iran Sanctions: Options, Opportunities, and Consequences

Mr. Chairman, thank you for allowing me to submit this testimony on US policies towards Iran. In light of the Iranian people's ongoing struggle for their rights and the effort to find a diplomatic solution to the nuclear impasse, the issue of sanctions in particular deserves a thorough discussion. As a representative of the largest grassroots organization representing Americans of Iranian descent in the U.S. - The National Iranian American Council - I want to emphasize that no group of Americans is more concerned about the fate of the pro-democracy movement in Iran and no group of Americans has suffered more from the policies of the Iranian government than our community.

What we have witnessed in Iran in the past six months is nothing short of a tectonic shift. Never before in the 30 year-old history of Iran's current governing system have people poured out in the streets in such numbers, demanding that their votes and their rights be respected. And never before has the government been as divided as it is now. The intensity and brutality of the infighting between insiders of Iran's political system should not be underestimated.

The disputed June elections were followed by a brutal crackdown in which flagrant human rights violations were committed by the Iranian authorities. Human rights violations in Iran are now as bad as at any time in the past 20 years, according to an Amnesty International report released last week. The report accused the Iranian government of being "more concerned with covering up abuses than getting at the truth."

Yet, in spite of the repression, the torture, rape and killings in Iran's jails, the opposition movement has not relented. As late as last week, new demonstrations took place in Iran, with the demands of the demonstrators getting bolder rather than meeker in reaction to the brutality of authorities.

The opposition movement has succeeded in depriving the Ahmadinejad government of any sense of normalcy. The Green movement's stamina and determination have taken both Iran's hardliners and the international community by surprise. Assuming that the protests are mere passing phenomena that can't fundamentally change the political landscape in Iran would be unwise.

In the midst of this tectonic shift, America has embarked on a groundbreaking shift of its own – the pursuit of diplomacy with Iran with the aim of reducing US-Iran tensions and preventing the spread of nuclear weapons. The Obama administration made it clear from the outset that talks would not be without a time limit, and that unless progress was made, the administration would pursue tough sanctions against Iran.
I will not address in this testimony whether the modalities of diplomacy were adequate, whether enough time was given to overcome the obstacles to an interim deal on the nuclear issue, or whether

these last weeks before the December 31 deadline for diplomacy should be used to find a diplomatic solution or whether they should be used to lay the ground work for sanctions. Rather, given the current movement towards sanctions, I would like to address some of the factors that need to be taken into consideration when assessing various sanctions options.

First, the impact of sanctions on the people of Iran has rarely factored into our calculations. The Iranian people have suffered the brunt of the economic pressures precisely because existing sanctions have been broad and untargeted. The Iranian government, meanwhile, has remained relatively unscathed and has shifted the pain of the sanctions towards the people. While the government has the resources to offset the effects of sanctions, ordinary people in Iran do not have that option and bear the brunt of the economic pain. Furthermore, sanctions that have inhibited communications and exchanges with the Iranian people have had a direct, negative impact on the people's ability to push for political reform.

For instance, prior to the Iranian elections, Microsoft and Google both shut down instant messenger services in Iran, citing US sanctions. Inhibiting Iranians' ability to communicate with the outside world only aids the elements in Iran who seek to cement their grip on power by isolating their own people. As was made evident this past summer when footage of the demonstrations slipped out of Iran via Facebook and Youtube, Iranians' ability to communicate with the globalized world is pivotal to their struggle for political liberalization. Our sanctions policies should not make this already burdensome struggle for democracy more difficult.

It is consequently no surprise that leaders of the Green movement have made their opposition to sanctions clear. In late September, Moussavi stated new sanctions "would impose further pain on a nation that has already suffered a great deal by its schizophrenic rulers. We are against any kind of sanctions on people."

Indeed, after the groundbreaking developments of this past summer, continuing to ignore the impact additional broad sanctions will have on the Iranian people's struggle for democracy will only come at our own peril.

If we are serious about standing with - and not on the backs of - the Iranian people, we will need a new paradigm when it comes to sanctions on Iran. Though a democratic Iran would not in and of itself resolve the many problems the US has with Iranian policies, it would make the likelihood of finding solutions significantly greater. As such, pursuing sanctions that undermine the pro-democracy movement in Iran by hurting ordinary people directly contradicts our long-term national security interests with respect to Iran and the Middle East as a whole.

Second, the events of this past summer also shattered one of the myths about the ability of sanctions to bring about internal change in Iran. One effect of proposed gasoline sanctions, it has been argued, would be that ordinary Iranians, infuriated by skyrocketing gasoline prices, would increase their pressure on the Iranian government. However, past behavior of the Iranian populace does not support this theory. When the Ahmadinejad government began rationing gasoline in 2007, riots broke out in Iran for two days and an estimated 1,000 people partook in protests against the government's economic policies.

Contrast that to the estimated 3,000,000 people who took to the streets in Tehran alone in immediate aftermath of the elections, demanding that their votes be counted. Six months later, those protests are yet to die down.

What caused Iranians to rise up in June was not economic hardship, but dashed hopes in anger over the fraudulent election. Whereas economic hardships have prompted sporadic protests, hope has brought millions into the streets in a sustained manner. Experience shows that when broad, untargeted sanctions hitting the Iranian people are adopted, the first casualty is hope. Economic misery breeds despair, which in turn kills people's faith in their ability to bring about change. The result is political apathy, which only cements the status quo and serves the interest of the political faction around Ayatollah Khamenei.

Broad untargeted sanctions may serve to strengthen the Iranian government in other ways as well. Particularly sanctions hitting Iran's gasoline industry rest on a questionable economic foundation. Iran imports roughly 25-40 percent of its domestic gasoline consumption at world prices and then sells it along with domestically refined gasoline at a government-subsidized price of about 40 cents per gallon. As a result, domestic gasoline consumption is high. It is also smuggled and sold to neighboring countries.

Over the past 10 years, this policy has cost Iran in the range of 10 to 20 percent of its G.D.P. annually, depending on world prices and the government-mandated pump price. In need of additional revenues, the regime has wanted to eliminate this subsidy, raise the price to world levels and reduce consumption, but has been paralyzed by the specter of a domestic backlash.

Even assuming that a gasoline embargo would be effective, what would be its result? Consumption would sharply decline and government revenues would go up, because no payment would be needed for gasoline imports.

If Tehran allowed the reduced supply of gasoline to be sold at a price that would equate demand to supply, the price would increase to a level that would eliminate the subsidy, meaning no subsidy for imported gasoline and no subsidy for domestically refined gasoline. The government would have more revenue to spend elsewhere – possibly on Iran's nuclear program. The sanctions could end up doing what Tehran has wanted to do for years.

Third, the ability of sanctions to generate change is partly a function of international participation in the sanctions regime. Creating international consensus is pivotal, particularly when targeting an energy exporting state like Iran. The Obama administration has successfully pulled the UN Security Council together by working with our allies rather than targeting them through extraterritorial sanctions. Unilateral US sanctions that would penalize our allies risk shattering the existing consensus. The ultimate winner in such a scenario is the government in Tehran, who would be presented with opportunities to take advantage of divisions within the international community. When it comes to effectively addressing the challenges posed by the government of Iran within the international community, the US must be a uniter, not a divider, and our sanctions policies must be calibrated as such.

This does not mean that past US sanctions have not hurt the Iranian economy. On the contrary, there is little doubt that US economic sanctions have inflicted economic pain on the Iranians. Recent financial sanctions in particular have created significant obstacles for their economy. Banks have had great difficulty in financing projects, export credits have not been made available and capital flight has increased.

Yet, with all the pain the sanctions have imposed on the Iranian economy, this pain has not translated into a desirable change in Iranian policies. The sanctions have been effective in hurting the Iranian economy, but they have failed to change the Iranian government's behavior.

Going forward, Washington must carefully calculate its policies vis-à-vis Iran and the utility sanctions can play within a larger Iran policy. Factors such as the impact of sanctions on the Iranian people and their struggle for democracy, the unintended effect sanctions can have on strengthening Iran's ruling hardliners, and the ability of sanctions to divide rather than unite the international community must all be taken into account.

In particular, the alternative cost of the sanctions path must be carefully weighed. Broad sanctions and diplomacy rarely go hand in hand. A sanctions escalation that closes the window of opportunity for diplomacy, which is unlikely to change Iran's nuclear calculations based on past experiences, can create a scenario in which both diplomacy and sanctions have been deemed a failure in the coming few years. This all the while Iran's nuclear program has continued to expand. That would leave the United States with only one, highly unattractive option left at its disposal. It is important to make decisions today that do not leave us on an inevitable trajectory towards that scenario.

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