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IMPLEMENTING TOUGHER SANCTIONS ON IRAN: A PROGRESS REPORT

HEARING

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

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IMPLEMENTING TOUGHER SANCTIONS ON IRAN: A PROGRESS REPORT

WEDNESDAY, DECEMBER 1, 2010

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 9:33 a.m. in room 2172, Rayburn House Office Building, Hon. Howard L. Berman (chairman of the committee) presiding.

Chairman BERMAN. The committee will come to order.

And in a moment I will recognize myself and the ranking member for up to 7 minutes each for purposes of making an opening statement. I will then recognize the chairmen and ranking members of the Middle East and South Asia Subcommittee and the Terrorism, Nonproliferation and Trade Subcommittee for 3 minutes each to make their opening statements.

We have to end today's hearing by noon. So, without objection, all the members may submit opening statements for the record.

Before I begin my statement, I want to say a few words about Steve Solarz, one of our most distinguished former colleagues, who passed away on Monday after a long battle with cancer.

Steve had struggled for several years with this terrible illness, but with his typical discipline and good humor he maintained an active and productive schedule. He served in Congress from 1975 to 1992. On this committee he was chairman of the Africa Subcommittee and later chairman of the Asia Subcommittee, where his hearings and activism played a key role in ending the dictatorship of Philippine President Ferdinand Marcos.

Steve was one of the most creative legislators I have ever worked with. Time after time, the committee would be debating an amendment to a bill that was resisted by the committee leadership; arguments would be made on both sides; and then Solarz would seek recognition, offer the perfect synthesis between the two positions, and get the unanimous backing of the committee for his compromise. He was a unique talent.

After leaving Congress, Steve continued his activism as a leader of the International Crisis Group. Those of us who had the privilege of calling Steve both a friend and colleague will remember him for his sharp insights, good humor, and willingness to push American foreign policy beyond the boundaries of conventional thinking.

We express to his wife Nina and his family our deepest regrets and condolences at this loss to them and to our Nation. And I ask for us just to sit to take a moment of silence while we remember Steve.

Now to my opening statement.

Iran's nuclear program is a fundamental threat to the United States, our friends and allies, and to the global consensus on halting and reversing the spread of nuclear weapons.

As we meet this morning, Iran's centrifuges continue to spin, making more and more enriched uranium that could ultimately be turned into fuel for nuclear weapons. This threat continues to grow with each passing day.

This summer, in response to that threat, Congress passed the most rigorous sanctions ever imposed on Iran, the Comprehensive Iran Sanction, Accountability, and Divestment Act, or CISADA, as it is widely known.

The overwhelming vote for CISADA—408 to 8 in the House, 98 to nothing in the Senate—was a powerful demonstration of the bipartisan commitment to a tough approach to halting Iran's nuclear program.

This act broadly expanded the applicability of the original Iran Sanctions Act, including sanctioning third-country companies and banks involved in activities such as sales of refined petroleum to Iran, assistance to Iran's domestic refining capacity, and financial dealings with the Iranian Islamic Revolutionary Guard Corps, or IRGC.

The fundamental premise of our approach is that companies should choose the U.S. market over the Iranian market. It is a sound approach but by no means a silver bullet for addressing Iran's desire to acquire a nuclear weapons capability.

Our legislation, even before the President signed it into law on July 1, helped to galvanize international opinion regarding the Iranian nuclear issue. The European Union, previously a key source of Iranian commerce and investment, passed its own set of tough sanctions in late July. Other states—Canada, Australia, South Korea, Japan, and Norway—followed with their own national sanctions.

As a result of our sanctions and additional financial measures pursued by the administration, most major Western, Japanese, and South Korean energy companies have ceased selling Iran refined petroleum and investing in Iran's energy sector, and the doors of much of the financial, insurance, and shipping worlds have been closed to Iran.

Major oil companies, such as Royal Dutch Shell, Total of France, Italy's ENI, Vitol, Norway's Statoil, Spain's Repsol, and Japan's INPEX, have all ended or are in the process of ending their energy projects in Iran. And there are numerous reports that these sanctions have seriously hurt the Iranian economy and deepened political fissures in the Iranian leadership. But is that, in fact, the case? And, if so, how much closer does it bring us to our real objective, which is to persuade Iran to suspend its nuclear enrichment program and end its nuclear weapons program?

[Audio difficulties.]

Chairman BERMAN. Roll the clock back. I get 10 more seconds for the last play.

The purpose of this hearing is to attempt to answer these very questions. I would like to hear the witnesses' candid assessment of the current sanctions regime. Is it helping us to achieve our goal

of an Iran without nuclear arms? Are sanctions having the desired impact on Iran's economy, and are we getting closer to persuading Iran to suspend its uranium enrichment program, as repeatedly demanded by the international community? In particular, is international support for sanctions holding firm? How much back-filling is there by companies whose governments have not imposed national sanctions?

On that last point, there seems to be no doubt that Chinese companies are pursuing energy investments in selling Iran refined petroleum. The Chinese acknowledge it. I would like know why we haven't sanctioned any of the Chinese companies engaged in clearly sanctionable actions. I am concerned that we will not be able to sustain a robust sanctions regime if we don't impose sanctions in an evenhanded manner.

Many leading Western, Japanese, and South Korean companies have pulled out of Iran because they feared we would otherwise impose sanctions. Will they stay out if they see that others are getting off scot-free? Is the problem that we lack leverage over the Chinese companies? What kind of message do we send if we fail to sanction companies that are transparently engaged in sanctionable activities?

I know the administration did impose sanctions on one company, NICO, which is based in Switzerland. But since NICO is an Iranian state-owned company that, by definition, would be barred from dealing with the U.S. market, that action doesn't seem to me to have much of a deterrent effect. I hope Undersecretary Burns, in particular, will address these issues.

And, in addition, I would welcome Under Secretary Burns's views on other key aspects of Iranian nuclear issue, such as the recent interruption in Iran's enrichment activities and the general diminishing of its enrichment efficiency, as reported by the IAEA. How meaningful is that slowdown? Should it alter our previous calculations regarding Iran's nuclear program? Have the recent revelations regarding North Korea's apparently enhanced nuclear facilities affected those calculations? What can you tell us regarding upcoming negotiations in Iran, now scheduled to commence in a few days in Geneva?

Lastly, this month marks the 1-year anniversary of the last major demonstrations by Iran's reformist Green Movement, which mushroomed in the wake of the June 2009 hijacking of the Presidential elections by Ahmadinejad. Where does the Green Movement stand today? What can we do to affirm our clear support for the pro-democracy forces in Iran?

And I would like to close by reaffirming my own strong support for our sanctions effort. It is our last best hope for resolving the Iran nuclear issue in a peaceful manner. As I have said on many occasions, the alternatives are military action and, even worse, acquiescence to a nuclear-armed Iran. Both of these alternatives are unpalatable.

And I also want to really commend the administration for placing such a high priority on the Iranian nuclear issue and for the effectiveness of its policies thus far. Thanks to this administration's artful diplomacy, we have far more international support on this issue

than most of us thought even remotely possible as little as 6 months ago.

From the outset, this administration has made Iran a top priority item in virtually every meeting with foreign leaders, and the results show. The administration's successful jawboning of many banks and energy companies have also made a significant contribution to the effort to isolate Iran economically.

So, 5 months to the day since CISADA became law, I look forward to your candid assessment of the effectiveness of our sanctions effort, and how it can be improved, as well as your assessment of the prospect that we will succeed in our larger goal of preventing Iran from achieving nuclear-weapons status.

I also want to give the witnesses every opportunity, should they choose, to comment on the significant number of documents concerning Iran which were unfortunately released by Wikileaks. However much one might deplore the unauthorized release of internal U.S. diplomatic communications, they do disclose the very high priority that this President, from the outset, has put on ending the Iranian nuclear weapons program.

I am very pleased to recognize the ranking member, the gentlelady from Florida, Ileana Ros-Lehtinen, for her opening remarks.

[The prepared statement of Mr. Berman follows:]

Wednesday, December 1, 2010

Chairman Howard L. Berman's opening statement at hearing, "Imposing Tougher Sanctions on Iran: A Progress Report"

Verbatim as delivered

Iran's nuclear program is a fundamental threat to the United States, our friends and allies, and to the global consensus on halting and reversing the spread of nuclear weapons.

As we meet this morning, Iran's centrifuges continue to spin, making more and more enriched uranium that could ultimately be turned into fuel for nuclear weapons. This threat continues to grow with each passing day.

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Ms. ROS-LEHTINEN. Thank you very much, Mr. Chairman.

I would like to start by recognizing some of my constituents who are in the audience. They are Iranian Americans who are staunchly opposed to the Iranian regime, who have shed light on Iran's nuclear program through the unveiling of information on different Iranian nuclear facilities. Many have relatives in Camp Ashraf. I raised with Assistant Secretary of State Feltman a few weeks ago the need for the administration to ensure that the Iraqi Government lives up to its human-rights commitment and protects the residents of Camp Ashraf.

Welcome.

With respect to Iran, Mr. Chairman, as we all know, the United States must have one vital objective, and that is to stop the regime's pursuit of nuclear and other unconventional weapons and the missiles to deliver them, its sponsorship of terrorism, and other activities that threaten Americans, our interests, and our allies.

However, since the 1990s, the U.S. and international efforts to stop the growing Iranian threat have been half-hearted at best, with results to match. The problem is not that a tough approach has failed but that it has yet to be fully tried. The sanctions were not fully implemented or enforced. The focus was not on measures the U.S. could easily take but, instead, on persuading the so-called international community to act "collectively," meaning agreeing to the lowest common denominator while continuing to cultivate ties with the regime in Tehran.

Russia, of course, has a long record of cooperation with Iran on missiles and on nuclear matters, particularly its construction of the Bushehr reactor, which is scheduled to come on-line in January. To secure Russian cooperation, the current and previous administrations resorted to a series of concessions to Moscow. What did we buy at so great a price? Tacit support for U.N. sanctions and "assurances" that Russia will wrap up investments in Iran's energy sector and that Russia will not, at this time, proceed with its sale of advance missiles to Iran. Of course, despite all of our concessions, Russia has indeed offered a nuclear cooperation agreement and advance missile sales to the Syrian regime.

China is another key ally and protector of Iran and has made it clear that it will prevent significant pressure being placed on Tehran. Chinese companies are eagerly expanding their trade with and investments in Iran, many taking advantage of opportunities created by Western and other companies which are curtailing or finally severing their ties. Recent reports indicate that China has actively facilitated North Korea's providing Iran with advanced missiles and ingredients for chemical weapons in violation of U.N. Security Council sanctions.

But support for Iran comes from other places as well. Determined to demonstrate its growing distance from the U.S., Turkey has publicly embraced Tehran, increased its economic cooperation, signed a major gas pipeline deal, and tried to undermine U.S. efforts to stop the Iranian threat, including voting against U.N. Security Council Resolution 1929. Turkey recently prevented NATO from designating Iran as a missile threat to be countered with a proposed anti-missile shield, despite Tehran's expanding missile ca-

pabilities. Armenia is expanding financial trade, transport, and energy cooperation with Iran.

Unfortunately, securing effective action by one administration after another has been an uphill battle. For over 14 years, since the passage of the Iran Sanctions Act, only one determination of sanctionable activity has ever been made, and the resulting penalties were immediately waived. Efforts to strengthen existing laws were opposed by each administration, citing a reluctance to tie the President's hands or upset other countries who want to keep doing business with Tehran.

This past June, after a long, hard-fought struggle, the Comprehensive Iran Sanction, Accountability, and Divestment Act, CISADA, was enacted. Although weaker than some of us had hoped, this law could represent a major step forward, especially through its energy, refined petroleum, and financial sanctions. This congressionally driven effort has led some countries, including the EU, Japan, Australia, and South Korea, to finally impose their own, albeit more limited sanctions on Tehran.

On the financial front, the actions taken by foreign governments to sever their ties with the Iranian financial institutions and other Iranian entities designated as involved in Iranian proliferation and sponsorship of terrorism is encouraging.

Under Secretary Levey, let me again thank you and your team at Treasury for your pivotal role in these developments and your years of dedication in acting against the Iranian regime and its enablers. Thank you, sir.

I am, however, concerned that history may be repeating itself regarding the State Department's implementation efforts. For example, the law requires the administration to investigate upon receiving credible evidence of suspected sanctionable foreign investment in Iran's energy sector. The U.S. has known for years about Chinese energy investment in Iran, but only this past September did the administration initiate investigations of sanctionable activity. Yet State still refuses to publicly disclose whether Chinese companies are among the targets.

The State Department has issued one determination under CISADA, just one, imposing the minimum number of sanctions on NICO, an Iranian subsidiary, for its role in Iran's petroleum sector. Likewise, the administration has listed and sanctioned just eight Iranian regime officials responsible for human-rights abuses.

We have wasted enough time, 14 years. No more waivers, exceptions, or excuses. We cannot live with a nuclear Iran. We must ensure that the tools we have are used to their maximum effectiveness and look for new means of compelling Iran to cease activities that threaten our security, our interests, and our allies.

I am not just referring to this nuclear pursuit but also to its state sponsorship of terrorism. Of particular concern is Iran's support for Hezbollah in Lebanon, Mr. Chairman, which has threatened violence if, as expected, its operatives are indicted for the assassination of former Lebanese Prime Minister Hariri, has amassed an arsenal of about 50,000 rockets, and participates in and has veto power over the current Lebanese Government. I would ask Under Secretary Burns what the U.S. is doing to address this situ-

ation before it becomes a full-blown crisis and Hezbollah takes over completely.

Thank you, Mr. Chairman. And I will ask the administration also about the continued military assistance to the Lebanese armed forces.

Thank you very much, Mr. Chairman. And I thank the witnesses.

Chairman BERMAN. Well, thank you.

And now I am pleased to recognize for 3 minutes the chairman of the Middle East and South Asia Subcommittee, the gentleman from New York, Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman.

In the 112th Congress, the challenge before our witnesses and before those of us returning in January will be the same: How do we prevent Iran from acquiring nuclear weapons? It is, I believe, the most critical national security question facing our Nation today, and the success or failure of our efforts will determine what kind of world our children will inherit.

Iran's drive to acquire nuclear weapons is near to success, but it has not yet succeeded, and it must not. The consequences of a successful effort by Iran to acquire nuclear weapons, in open defiance of numerous U.N. Security Council resolutions, solemnly undertaken treaty obligations, and amid an endless stream of genocidal rhetoric against the state of Israel, would change the world. And this must not happen.

The implementation of new sanctions so far has been surprisingly successful, with the combined effect of U.N. sanctions and the new CISADA sanctions imposing real economic pain on the ayatollahs' regime. But for pressure to succeed, it must be comprehensive.

And here there are two points to make. First, the economic pain must be as severe as we can make it. Sanctions must be applied without exception or distinction. The Congress will accept nothing less.

Second, economic pain is not enough. By luck or providence, the mullahs' regime is facing an internal political crisis more severe than any since the creation of the Islamic Republic. While it is true the Green Movement has been effectively suppressed by the tools of repression, the legitimacy of the Iranian regime has been permanently undercut in the eyes of the Iranian people. Elections whose results have to be forced down an unwilling population's throat by means of mass murder, rape and torture are a sign of weakness, and that weakness needs to be aggressively exploited.

I again call upon the Obama administration to emulate President Reagan's approach to the Soviet Union, which applied comprehensive, across-the-board pressure, combining economic, political, diplomatic, cultural, and military pressure, with arms control negotiations—what we might call today "engagement"—that advanced American interests.

The Iranian regime is likewise ripe for comprehensive pressure. Multilateral forums and multinational institutions need to be pushed to focus on Iran's deplorable human-rights record. Our broadcasting into Iran must be ramped up to let the Iranian people know that they are not alone. The President and the Secretary of

State need to consistently remind the world of the oppression of the Iranian people by the illegitimate Iranian regime.

The Armed Forces of the United States need to be deployed and exercised with key partners to demonstrate our ability to respond overwhelmingly to aggression and provocation. Those willing to take up arms against Iranian influence should have our material support. Iranian agents attempting subversion or the acquisition of illicit materials or arms must feel the shadow of the United States pursuing them with vengeance.

It is not too late to stop Iran, to roll back their nuclear program, to aid the Iranian people in taking back their country. But we must engage in this great and necessary challenge with even greater effort and vigor than we have managed so far. Time is running out.

Thank you, Mr. Chairman.

Chairman BERMAN. Time has run out. And the ranking member of the Subcommittee on Middle East and South Asia is not here, so I am going to recognize the chairman of the Terrorism, Nonproliferation and Trade Subcommittee of this committee, the gentleman from California, Mr. Sherman, for 3 minutes.

Mr. SHERMAN. Thank you for holding these hearings, Mr. Chairman. I believe that CISADA and its implementation is the most important work for us to do this month. I think that we need to see even more enforcement of existing law and the adoption of new statutes. I hope that later this month or early next year we consider the Stop Iran's Nuclear Program Act, which would strengthen the sanctions still further.

In addition, I should note that our colleague, Congressman Filner of California, has a bill with over 106 co-sponsors to take the PMOI off the terrorism list. And I hope that respect for our 106-plus colleagues that have co-sponsored that bill would lead to a serious consideration of the bill and hearings on it. So we have much legislating to do, just as is our friends from the administration have much to do, as well.

Major oil companies from the West for the most part won't invest in Iran's oil sector or sell refined petroleum. This is a success. It is a success that comes, perhaps, a dozen years too late.

At this point, we have to not only prevent investment in the energy sector of Iran, we have to prevent Iran from getting refined petroleum products. Had the executive branch of government decided to follow the law when it was passed over a dozen years ago, we would be in a much better position now. Now the only way to stop Iran's nuclear program is not only what is already being done, but the much, much more difficult job of preventing Iran from getting refined petroleum.

And I would point out that we are where we are not because there has been a radical change in State Department policy. The policy has been, since the Iran Sanctions Act was adopted, to follow the law only to the extent that its implementation did not offend any foreign government except that of Iran. This is described by our ranking member as the "lowest common denominator" of policy. The good news is the lowest common denominator is now a higher number than it used to be, especially for Japan and western Europe. And we have obtained a lot of cooperation, and it is now difficult for Iran to find partners to invest in its oil fields.

We also ought to give credit, however, to the wisdom of our allies, but especially to the corruption and ineptitude of those who are running Iran, who make doing business with that country so difficult.

As to the Stop Iran's Nuclear Program Act, it would, for example, prevent—or sanction the $5 billion euro sovereign bond issuance that Iran is now engaged. They have realized that they may not be able to get Western investment in their oil fields, so they feel they will borrow the money and do the investment themselves. The way to stop that is new legislation, which I look forward to taking up expeditiously.

I yield back.

Chairman BERMAN. Time of the gentleman has expired.

The ranking member of the Terrorism, Nonproliferation and Trade Subcommittee, the gentleman from California, Mr. Royce.

Mr. ROYCE. Thank you.

Chairman BERMAN. You are recognized for 3 minutes.

Mr. ROYCE. There is no mike?

Chairman BERMAN. I got one.

Mr. ROHRABACHER. Does this one work? There. You can take this one, Ed.

Mr. ROYCE. Mr. Chairman, I want to thank you for holding this hearing because we face a crisis. And this has to sink in. Here is the headline from The Washington Post recently: "The Obama administration has concluded that Chinese firms are helping Iran to improve its missile technology and develop nuclear weapons." That represents a crisis.

When we learned yesterday that China declined to act on multiple—multiple—U.S. requests that it stop shipments of ballistic missile components from North Korea that were going through Beijing on Korean airlines, North Korean airlines, on Iranian carriers as well; when we learn that our Secretary of State has asked China to act on the fact that Iran was trying to buy gyroscopes and carbon fiber for its ballistic missiles from Chinese companies; when we find that Chinese companies were supplying Iran with precursors for chemical weapons; when we find that Iran gets both its parts and its technology from China, we face a crisis.

And I am appreciative of the fact that Mr. Levey is here, because, as he puts it in his testimony, foreign financial institutions have a choice. If you conduct certain business with Iran, you risk losing access to the U.S. financial system.

The message we need to convey, Republicans and Democrats alike, is this conduct on the part of China, in terms of violating these sanctions and helping give Iran the wherewithal to develop the missile technology and the nuclear weaponry, has to stop immediately. And if it does not stop, there certainly is going to be legislation from this Congress to bring it to a halt. The way to do it is to simply have an understanding that this is now the law on the books of the United States. It needs to be followed by China, and it needs to be followed now.

Thank you, Mr. Chairman. I yield back.

Chairman BERMAN. The time of the gentleman has expired.

And now I am quite pleased and honored to introduce our two witnesses, two people who I think are among the most exceptional

public servants we have working for the United States Government. The first is Ambassador William Burns, the Under Secretary of State for Political Affairs.

Previously, Ambassador Burns served as Ambassador to Russia, Assistant Secretary of State for Near-Eastern Affairs, and Ambassador to Jordan. A career Foreign Service officer, he has also served as Executive Secretary of the State Department and as a special assistant to Secretaries of State Christopher and Albright.

Ambassador Burns is a central player in the Obama administration's Iran policy team. In October 2009, he led the U.S. negotiating team in the P5-plus-1 talks with Iran in Geneva, where he struck an agreement with the Iranian negotiators that would have removed significant amounts of low enriched uranium from Iran stocks. The agreement was widely praised internationally at the time but was subsequently rejected by the leaders in Tehran. As I understand, he will once again be leading the U.S. negotiating team at upcoming P5-plus-1 talks with Iran scheduled to begin in a few days in Geneva.

Stuart Levey is the Under Secretary of Treasury for Terrorism and Financial Intelligence, a position he has held since 2004. In this position, he has played a central role in the efforts of both the Bush administration and the Obama administrations to combat Iran's illicit conduct in the international financial system. In fact, he is widely considered a key architect of those efforts. That, no doubt, is why the Obama administration asked him to remain in his position.

Previously, Mr. Levey served as the principal associate deputy attorney general in the United States Department of Justice and, before that, as an attorney in a private law firm.

Gentlemen, thank you for coming this morning. We look forward to hearing your testimony. If you decide to, you can summarize. Your entire statements will be part of the record.

And, under Secretary Burns, why don't you lead off?

STATEMENT OF THE HONORABLE WILLIAM J. BURNS, UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. BURNS. Thank you very much. And good morning, Chairman Berman, Congresswoman Ros-Lehtinen, members of the committee. Thank you for the opportunity to appear before you again with my friend and colleague, Under Secretary Levey.

We meet today at a moment of great consequence in the long and complicated history of international concerns about Iran and its nuclear ambitious. In recent months, working closely together, the administration, Congress, and our international partners have put in place the strongest and most comprehensive set of sanctions that the Islamic Republic of Iran has ever faced. It is a set of measures that we are determined to implement fully and aggressively. It is a set of measures that is already producing tangible results. And it is a set of measures that we reinforces or collective resolve to hold Iran to its international obligations.

A great deal is at stake for all of us. A nuclear-armed Iran would severely threaten the security and stability of a part of the world crucial to our interests and to the health of the global economy. It

would seriously undermine the credibility of the United Nations and other international institutions and seriously weaken the nuclear nonproliferation regime at precisely the moment when we are seeking to strengthen it.

These risks are only reinforced by the wider actions of the Iranian leadership, particularly its longstanding support for violent terrorist groups like Hezbollah and Hamas, its opposition to Middle East peace, its repugnant rhetoric about Israel, the Holocaust, 9/11, and so much else, and its brutal repression of its own citizens.

In the face of those challenges, American policy is straightforward: We must prevent Iran from developing nuclear weapons. We must counter its destabilizing actions in the region and beyond. And we must continue to do all we can to advance our broader interests in democracy, human rights, peace, and economic development across the Middle East.

President Obama has made clear repeatedly that we will stand up for those rights that should be universal to all human beings and stand with those brave Iranians who seek only to express themselves freely and peacefully. The simple truth is that a government that does not respect the rights of its own people will find it increasingly difficult to win the respect that it professes to seek in the international community.

We have emphasized from the start that what is at issue between Iran and the rest of the world is not its right to a peaceful nuclear program but, rather, its decades-long failure to live up to the responsibilities that come with that right. If Iran is sincere, it should not be hard to show the rest of the international community that its nuclear program is aimed at exclusively peaceful purposes.

Facts are stubborn things, however. And it is a telling fact that Iran, alone among signatories of the NPT, continues to fail year after year to convince the IAEA and the United Nations of its peaceful nuclear intentions.

Nearly 2 years ago, President Obama began an unprecedented effort at engagement with Iran. We did so without illusions about whom we were dealing with, with the scope of our differences over the past 30 years. We sought to create early opportunities for Iran to pursue a different path and to build confidence in its intentions. This was both a serious demonstration of our good faith and also an investment in partnership with a growing collation of countries profoundly concerned about Iran's nuclear ambitions.

When, regrettably, those early efforts made little headway, we and our partners were left with no choice but to respond to Iran's intransigence by employing another tool of diplomacy: Political and economic pressure.

The cornerstone of this campaign was U.N. Security Council Resolution 1929, passed early last June. By far the toughest of the four Chapter 7 resolutions enacted in recent years, 1929 broke important new ground in curbing arms transfers to Iran; targeting the central role of the IRGC in Iran's proliferation efforts; banning for the first time all Iranian activities related to ballistic missiles that could deliver a nuclear weapon; sharply limiting Iran's ability to use the international financial system to fund and facilitate nuclear and missile proliferation; and, for the first time, highlighting for-

mally potential links between Iran's energy sector and its nuclear ambitions.

Russia's partnership was particularly crucial to passage of such an effective resolution, which led directly to its enormously important cancellation of the S–300 surface-to-air missile sale to Iran.

The significance of 1929 is only partly about its content. It is also about the message of international solidarity that it sent and the platform that its carefully crafted language has provided for subsequent steps.

Barely a week after the passage of 1929, the European Union announced by far its most sweeping collection of measures against Iran, including a full prohibition of new investment in Iran's energy sector, bans on the transfer of key technology, and the strictest steps to date against Iranian banks and correspondent banking relationships.

Canada, Australia, Norway, Japan, and South Korea have followed the EU's example. New provisions in 1929 regarding cargo inspections are already being applied, resulting, for example, in the recent seizure by Nigeria of an illicit Iranian arms shipment.

None of this is accidental. We have worked intensively with our partners, in conversation after conversation and trip after trip, around the world to produce an unprecedented package of measures and to ensure robust enforcement.

Central to our strategy have been the efforts made by the Congress, by all of you, to sharpen American sanctions. When the President signed into law CISADA in early July, the administration and the Congress sent an unmistakable signal of American resolve and purpose, expanding significantly the scope of our domestic sanctions and maximizing the impact of new multilateral measures.

We are enforcing the law rigorously and energetically. Already, more foreign investment in Iran has been curbed than at any time since Congress enacted the original Iran Sanctions Act nearly 15 years ago. In late September, Secretary Clinton imposed sanctions for the first time in the history of the ISA on a Swiss-based Iranian-owned firm involved in hundreds of millions of dollars' worth of deals in Iran. Deputy Secretary Steinberg announced that we have opened formal investigations into other firms.

Just as importantly, we have used the powerful instrument provided by CISADA's "special rule" to persuade major European and Asian firms, including Shell, Statoil, ENI, Total, and INPEX, to terminate existing sanctionable activities in Iran and provide clear assurances that they would not undertake any such activities in the future. According to reliable estimates, Iran may be losing as much as $50 billion to $60 billion overall in potential energy investments, along with the critical technology and know-how that comes with them.

Faced with new international concerns and the choice between doing business with Iran and doing business with America, more and more foreign companies are pulling out of the Iranian market. Major energy traders like Lukoil, Reliance, Vitol, Glencore, IPG, Tupras, and Trafigura have stopped sales of refined petroleum products to Iran.

Until last July, according to open sources, Iran imported roughly 130 barrels per day of refined petroleum products. In October, that figure had dropped by 85 percent to 19,000 barrels per day. Large shipping companies like Hong Kong-based NYK are withdrawing completely from the Iranian market. Major firms like Lloyd's have stop insuring Iranian shipping. Daimler, Toyota, and Kia have stopped exporting cars to Iran. Major banks like HSBC and Deutsche Bank have pulled out.

Stuart will address the impact of these developments in more detail. And his own personal efforts with firms and governments around the world remain hugely important. But the short answer is that the net result of all of the measures that we have applied in recent months is substantial—far more substantial than any previous set of steps.

I would also like to emphasize that we take very seriously CISADA's provisions regarding human-rights concerns in Iran. Earlier this fall, we designated eight senior Iranian officials for human-rights abuses, and we are working with Treasury on other potential designations. One of the best ways in which we and others can support the cause of universal human rights in Iran and the brave people who defend them is to hold accountable people who deny them.

I cannot honestly predict for you with any certainty how all these collective and individual measures will affect the choices that Iran's leadership makes. We will continue to sharpen those choices. We will show what is possible if Iran meets its international obligations and adheres to the same responsibilities that apply to other nations. We will intensify the cost of continued noncompliance and show Iran that pursuit of a nuclear-weapons program will make it less secure, not more secure.

And, in the meantime, we will continue to reassure our friends and partners in the Gulf of our long-term commitment to their security, a commitment clearly reflected in the visits to the region that both Secretary Clinton and Secretary Gates will be making in the next 2 weeks.

Let me conclude by emphasizing two simple but important realities. First, Iran is not 10 feet tall. Its economy is badly mismanaged. Iran's leaders have tried very hard to deflect or divert the international pressures building all around them, itself an acknowledgement of their potential effect.

Second, and just as significant, sanctions and pressure are not an end in themselves. They are a compliment, not a substitute, for the diplomatic solution to which we and our partners are still firmly committed.

There is still time for diplomacy if Iran is prepared to engage in serious discussions. There is still room for a renewed effort to break down mistrust and begin a careful, phased process of building confidence between Iran and the international community. There is still an opportunity for an outcome which ensures both Iran's rights and the fulfillment of its responsibilities.

The P5-plus-1, led by EU High Representative Ashton, will approach next week's meeting with Iran with seriousness of purpose and a genuine readiness to engage constructively on international

concerns about Iran's nuclear program. The door is open to serious negotiation if Iran is prepared to walk through it.

Thank you.

[The prepared statement of Mr. Burns follows:]

TESTIMONY OF

AMBASSADOR WILLIAM J. BURNS

UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS

HOUSE COMMITTEE ON FOREIGN AFFAIRS

UNITED STATES HOUSE OF REPRESENTATIVES

DECEMBER 1, 2010

Chairman Berman, Ranking Member Ros-Lehtinen, Distinguished Members of the Committee: thank you for inviting me to appear before you today.

This hearing comes at an important juncture in the history of the international community's concerns with Iran's nuclear program. In five days, I will join our P5+1 partners in sitting down with Iran to address these concerns. This meeting takes place against a backdrop of the toughest economic sanctions and diplomatic pressure the Iranian Government has faced.

We enter these negotiations with the support of the international community, and with the desire that Iran's leaders come to the table with the seriousness and resolve the world expects of them. The international community is unified in its belief that a nuclear-armed Iran would have grave implications for the stability of the Gulf region, the broader Middle East, and the global economy. These concerns are only underscored by the destabilizing character of Iran's longstanding financial and operational support to terrorist organizations such as Hizballah, Hamas and Palestine Islamic Jihad; its cultivation of militancy, instability and violence in Iraq and Afghanistan; its hateful, anti-Semitic rhetoric; and its brutal repression of its own citizens. As the EU High Representative, Catherine Ashton, stated following the last meeting of the P5+1 on September 22, our goal is clear and unified: to

achieve a diplomatic resolution to the threat posed by Iran's nuclear ambitions and to address the world's broader concerns with Iran. Now, more than ever, we have seen that our concerted efforts to both engage Iran and sharpen choices for its leaders have begun to yield significant results.

We must prevent Iran from developing nuclear weapons and counter its other destabilizing actions. These objectives are inextricably linked to our broader interests in democracy, human rights, and development across the Middle East.

Nearly two years ago, President Obama began an unprecedented effort at engagement with Iran. We did so without illusions about Iran, or the scope of our differences over the past thirty years. We sought to create early opportunities for Iran to pursue a different path and to build confidence in its intentions. This was both a serious demonstration of our good faith, and also an investment in partnership with a growing coalition of countries profoundly concerned about Iran's nuclear ambitions.

Instead, Iran has continued to expand its enrichment activities, including increasing enrichment of uranium to nearly twenty percent; it remains in noncompliance with its IAEA Safeguards Agreement; it refuses to suspend all its uranium enrichment-related, reprocessing, and heavy water-related activities as required by the UN Security Council; and has yet to cooperate fully with the IAEA's ongoing investigation, including by answering questions regarding the possible military dimensions of its nuclear program. Given Iran's continued non-compliance with its obligations, we have demonstrated our seriousness about the second track of our two-track strategy: increased pressure.

Five months ago, United Nations Security Council adopted Resolution 1929, which sent a clear message of what the international community expects from Iran,

and the consequences of Iran's decision to shirk its responsibilities to the global non-proliferation regime. By far the toughest of the four Chapter Seven resolutions enacted in recent years, 1929 broke important new ground in curbing arms transfers to Iran; targeting the central role of the IRGC in Iran's proliferation efforts; banning for the first time all Iranian activities related to ballistic missiles that could deliver a nuclear weapon; sharply limiting Iran's ability to use the international financial system to fund and facilitate nuclear and missile proliferation; and for the first time highlighting clear links between Iran's energy sector and its nuclear ambitions. Russia's partnership was particularly crucial to passage of such an effective resolution, which led directly to its enormously important cancellation of the S-300 surface-to-air missile sale to Iran.

UNSCR 1929 strengthened previous UN sanctions resolutions and provided a platform upon which the European Union, Norway, Australia, Canada, South Korea, and Japan implemented a series of important, tough follow-on measures. U.S. efforts to implement and enforce multilateral sanctions are supplemented by a number of important national sanctions tools, including the Iran Sanctions Act and the Comprehensive Iran Sanctions, Accountability, and Divestment Act. None of this is accidental. After over 30 years of U.S. sanctions on dealing with Iran, the overwhelming bulk of Iran's international trade is with other countries. It is their withdrawal from trade and investment with Iran that will have the most direct effect.

We have worked intensively with our partners, in conversation after conversation and trip after trip around the world, to produce an unprecedented package of measures, and to ensure robust enforcement. In our regular dialogue with these and other countries, and with the international private sector, we press for aggressive implementation of existing multilateral and national sanctions.

Our collective efforts to demonstrate to Iran that pursuing its nuclear program comes at a great cost have yielded results. Sanctions have hindered Iran's development of a nuclear weapons capability and the means to deliver them, while making it harder for Iran to continue its destabilizing activities in the region. Iran is experiencing difficulty in obtaining access to financial and transportation services that are the lifeblood of international commerce – and of Iranian proliferation. The international private sector has grown wary of conducting business with Iranian banks, and we routinely see foreign financial institutions voluntarily curtailing their interactions with Iran.

When the President signed into law the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) in early July, the Administration and the Congress sent an unmistakable signal of American resolve and purpose, expanding significantly the scope of our domestic sanctions and maximizing the impact of new multilateral measures.

We are enforcing the law rigorously and energetically. Already, more foreign investment in Iran has been curbed. In late September, Secretary Clinton imposed sanctions for the first time in the history of the ISA, on a Swiss-based, Iranian-owned firm involved in hundreds of millions of dollars worth of deals in Iran. Deputy Secretary Steinberg announced that we have opened formal investigations into other firms. Just as importantly, we have used the powerful instrument provided by CISADA's "special rule" to persuade major European and Asian firms, including Shell, Statoil, ENI, Total and INPEX, to terminate or take significant verifiable steps toward stopping potentially sanctionable activities in Iran and provide clear assurances that they would not undertake any sanctionable activities in Iran's energy sector in the future. According to reliable estimates, Iran

may be losing as much as $50-60 billion overall in potential energy investments, along with the critical technology and know-how that comes with them.

More specifically, major international oil companies such as Shell, Statoil, ENI, Total and INPEX have decided not to undertake any new activities in Iran. In addition, major fuel suppliers such as Vitol, Shell, Reliance, IPG, Glencore, and Trafigura have announced that they will no longer sell refined petroleum products to Iran. Investment in Iran's upstream oil and gas sector has dropped dramatically, forcing Iran to abandon liquefied natural gas projects for lack of foreign investment and technical expertise. Major providers of jet fuel, such as British Petroleum, Royal Dutch Shell and Q8, among others, have canceled contracts to refuel Iran Air planes in airports around the world, forcing Iran Air to cancel flights and change routes, at great expense to its operations and reputation.

In addition to the withdrawal of energy companies from Iran, a number of shipping companies have discontinued services to Iran and several maritime shipping insurers have announced that they will not provide coverage for Iranian-bound vessels. Many companies are going beyond what is required by sanctions. For example, the automakers Daimler, Toyota and Kia have all stopped exporting cars to Iran. These examples represent a coordinated effort by the international community to implement a sanctions regime, and an acknowledgement by the private sector that business-as-usual cannot and will not continue with Iran.

Still, we must remember that sanctions are not an end in themselves. Our foremost objective – one that is shared by our international partners and our allies in the region – is a diplomatic solution to the world's concerns about the Iranian nuclear program and the broader issues at stake with Iran. However, the decision to adopt a more constructive course remains with Iran's leaders.

We also take very seriously CISADA's provisions regarding human rights concerns in Iran. On September 29, the United States sanctioned eight Iranian officials for serious human rights abuses in accordance with the Comprehensive Iran Sanctions, Accountability, and Divestment Act, and we are working with the Department of the Treasury on other potential designations. One of the best ways in which we and others can support the cause of universal human rights in Iran, and the brave people who defend them, is to hold accountable people who deny them their rights.

Iran's failure to meet its international obligations is not limited to its nuclear program. More than one year after Iran's disputed presidential elections, Iran continues to harass, detain, and imprison those Iranians who demand accountability from their government and who stand up for the rights of their fellow citizens. Along with our international partners, we will continue to call attention to these abuses and call on the leaders of the Islamic Republic of Iran to respect the fundamental rights guaranteed to their people under Iran's own constitution. On November 18, the United States, along with our European, Canadian, and Australian partners, welcomed the adoption of a resolution on Iran's human rights situation by the largest margin to date in the Third Committee of the United Nations General Assembly. We continue to pursue ways to promote freedom of expression on the internet and through other connection technologies, and have worked to issue a general license which allows certain free and downloadable personal communications software – email, chat, blogging – to be available inside Iran. Our programming is also focusing on allowing innovative projects that support free expression and access to information via the internet.

Let me note here our deep and continuing concern for the safety and well being of all American citizens currently detained or missing in Iran. We urge the Iranian government to promptly release Shane Bauer and Joshua Fattal so that they may return to their families, just as it released Sarah Shourd in September. We also call upon Iran to use all of its facilities to determine the whereabouts and ensure the safe return of Robert Levinson.

Iran still has before it the opportunity to engage constructively with the P5+1. Our objective continues to be a comprehensive, long-term, negotiated solution which restores international confidence in the exclusively peaceful nature of Iran's nuclear program, while respecting Iran's legitimate right to the peaceful use of nuclear energy. We remain determined and united in our efforts for this purpose, although we have no illusions that the Iranian Government will change course overnight. Meeting its international obligations can pave the way for Iran to reap the benefits of being a responsible international actor. Failure to do so only makes Iran less secure, less prosperous, and increasingly isolated.

Chairman BERMAN. Thank you very much, Secretary Burns. And Secretary Levey.

STATEMENT OF THE HONORABLE STUART A. LEVEY, UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE, U.S. DEPARTMENT OF TREASURY

Mr. LEVEY. Thank you, Mr. Chairman, Ranking Member Ros-Lehtinen, members of the committee. Thank you for inviting me here today to discuss the current status of the global effort to impose sanctions on Iran. I appreciate the true partnership we have had with this committee over many years.

And I am happy to be here with Under Secretary Burns, who has been an excellent leader on this issue and on many others. And he has given an excellent overview of our overall Iran policy. I can assure you that we share the sense of urgency that you all expressed and we have the same priority placed on this challenge.

I can report to you today that we have made significant progress in implementing our strategy to impose sanctions on Iran, and the strategy is beginning to have the effect it was designed to have. By sharpening the choice for Iran's leaders between integration with the international community, premised on their living up to their international obligations, and ever-increasing isolation, we are beginning to create the leverage we need for effective diplomacy.

The strategy we designed and are now implementing has several critical elements.

First, we recognized from the outset that no one measure would put enough pressure on Iran, and so we are imposing a variety of measures simultaneously.

Second, as Bill pointed out, we took steps in advance to generate the support necessary for a broad coalition of governments and the private sector to support us on sanctions.

Third, we focused our measures on Iran's illicit conduct, such as WMD proliferation and its support for terrorism, since that has proven to be an effective way to build the broad coalition.

And, finally, we designed a strategy that uses Iran's expected attempts to evade sanctions to our advantage, by aggressively exposing Iran's deceptive conduct and, thus, underscoring Iran's riskiness as a commercial partner.

It is difficult to overstate the importance of Security Council Resolution 1929 in building our international coalition and in implementing this strategy. In addition to the provisions that Bill mentioned, the resolution's financial provisions are particularly powerful, as they call upon member-states to prevent the provision of financial services if there are reasonable grounds to believe that such services could contribute to Iran's nuclear and missile programs.

And given the vast body of public information demonstrating the scope of Iran's illicit conduct and deceptive practices, it is virtually impossible for banks and governments to assure themselves that transactions with Iran could not contribute to proliferation-sensitive activities.

Indeed, in the aftermath of the resolution's adoption, many of our partners, as was mentioned by several of you and Under Secretary Burns, have enacted robust sanctions programs. These sanctions regimes impose asset freezes and financial restrictions on a wide range of illicit Iranian actors, including the IRGC and IRISL, the Iranian shipping line, and they have enacted broad measures to protect their financial systems from Iranian abuse, such as reporting or pre-approval requirements for transactions involving Iran.

Also critical to our strategy is the passage and implementation of CISADA. As you know, the financial provisions of CISADA are quite powerful, as they indeed force the stark choice that Mr. Royce pointed out: If you conduct certain business with Iran, you risk losing access to the U.S. financial system. It is a very draconian potential sanction.

We have moved quickly to implement CISADA. We published required regulations promptly. And we have traveled to 24 countries since June, both to educate governments and the private sector about CISADA and also to share information about Iran's illicit conduct. We have reached out to governments and financial institutions in more than a dozen countries to investigate conduct that could be sanctionable under the act. What we have seen thus far is very dramatic. Even banks that had previously been willing to do business with designated Iranian banks are now reversing course and cutting ties with Iran altogether.

Beyond this outreach, Treasury has used its authorities to designate a wide range of Iranian actors involved in illicit conduct. As I mentioned earlier, we expected Iran to try to evade any sanctions we imposed, and continued actions, such as designations, are crit-

ical to counteract this evasion and to maintain the effects of our sanctions. Just since June, we have designated 53 IRISL-related entities, 9 IRISL-linked individuals, 10 individuals or entities linked to the IRGC, and 2 Iranian-owned banks, Post Bank and the Hamburg-based EIH. We have also identified 43 entities as being that of the Iranian Government.

The cumulative effect of sanctions has been to increasingly isolate Iran from the international financial system. Iran is effectively unable to access financial services from reputable banks and is finding it increasingly difficult to conduct major transactions in dollars or euros. Iran's reduced access to the international financial system has also made it very difficult for Iran to make payments on loans and maintain insurance coverage on IRISL's ships and is having an impact on IRISL's ability to continue operations. It has even led to the seizure of some IRISL ships by its creditors.

As the chairman indicated in his opening statement, with great regularity, major companies across a range of industries—finance, engineering, energy, manufacturing, automobile, insurance, accounting firms—they are all announcing that they are curtailing their business dealings with Iran.

There are clear signs that the speed, scope, and impact of sanctions have caught the Iranian regime by surprise. In the face of pressure, the Iranian Government has increasingly turned to the IRGC for key economic projects. That trend meshes perfectly with our conduct-based strategy, since it is hard to imagine a better sanctions target than the IRGC. Relying on the IRGC is likely to exacerbate Iran's isolation, as companies around the world have begun to shun all business with the IRGC, given its support for terrorism and involvement in Iran's proliferation activities and human-rights abuses.

Our efforts to consistently expose Iranian sanctions evasions are also paying off. In September, a high-ranking Iranian Government official underscored exactly the effect we have tried to create when he said, "We have never had such intense sanctions, and they are getting more intense every day. Whenever we find a loophole, they block it."

In order to maintain and even increase the impact we have created, we need to remain vigilant and intensify our efforts. By doing so, we can continue to create the leverage needed for our diplomacy to be effective. I look forward to continuing our work with this committee to achieve that goal.

Thank you.

[The prepared statement of Mr. Levey follows:]

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Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey
Written Testimony before the House Committee on Foreign Affairs
"Implementing Tougher Sanctions on Iran: A Progress Report"

December 1, 2010

Chairman Berman, Ranking Member Ros-Lehtinen, and distinguished members of the Committee, thank you for the opportunity to appear before you today to discuss the current status of the global effort to increase pressure on Iran. I am pleased to be here today with Under Secretary Bill Burns, who will explain the Administration's overall approach to Iran as well as the implementation of sanctions on the Iranian energy sector. I will provide you with an overview of the pressure strategy and recent actions taken by the U.S. and our international partners to hold Iran accountable for its continued illicit conduct as well as the critical role the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (CISADA) is already playing in our overall effectiveness. I will also describe the impact we have seen these measures having on Iran thus far.

While we still have a great deal of work in front of us, I can report today that we have made significant progress implementing our strategy. One key to our progress has been the impact of financial measures imposed by the U.S. and others in the wake of UNSCR 1929, including the financial provisions of CISADA. Today, Iran has dramatically reduced access to financial services from reputable banks, and is finding it increasingly difficult to conduct major transactions in dollars or euros. With great regularity, major companies are announcing that they have curtailed or completely pulled out of business dealings with Iran. And, as has been widely reported, Iran's leadership appears to have underestimated the severity and effects of the global financial measures, giving rise to internal Iranian criticism and finger pointing. The strategy is already beginning to have the effect it was designed to have: By sharpening the choice for Iran's leaders between integration with the international community and, alternatively, increasing isolation, we are creating the leverage needed for effective diplomacy.

Iran Sanctions Strategy

A little more than a year ago, I explained in testimony before Congress that we had developed a strategy to impose substantial costs on the government of Iran if and when the President determined that such pressure was needed to affect Iranian policies. The plan we developed took into account that no single sanction is a "silver bullet" and that we would need to impose a variety of measures simultaneously in order to increase their effectiveness. We also knew that we would need to target several of Iran's vulnerabilities simultaneously, and that we would need to secure the support of the largest possible international coalition of governments and private actors. Finally, because conduct-based financial measures that target illicit actors have proven to be an effective way to build such a broad coalition, we set out to focus our measures, to the extent possible, on Iran's illicit conduct, such as its proliferation of weapons of mass destruction (WMD) and support for terrorism.

By concentrating our sanctions programs on Iran's illicit conduct and its perpetrators – for example, the Islamic Revolutionary Guard Corps (IRGC) and Iran's national maritime carrier,

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the Islamic Republic of Iran Shipping Lines (IRISL) – we sought to maximize the chances of achieving a truly multinational coalition, because it is difficult for any government, whether an ally or not, to oppose taking action targeted against these types of activities. Equally as important, recognizing the commercial risks associated with doing business with Iran and to protect themselves from being unwitting participants in Iran's illicit conduct, private sector actors willingly implement the financial measures and, in fact, often take steps that go beyond the strict legal requirements. As more banks and businesses cut off their dealings with risky individuals and entities, the reputational risk increases for those that have not. This encourages additional firms to join in creating a ripple effect that amplifies the effect of sanctions. Moreover, when private sector consensus gels around taking certain actions, governments find it easier to require additional measures. The result is a mutually-reinforcing cycle of governmental and private sector action that isolates bad actors from the legitimate financial system. The effect of this on our targets is significant. When an individual or entity is cut off from access to international financial institutions, their ability to access the commercial sector is significantly affected.

As we designed our strategy, we also knew that Iran would seek to evade the measures we put in place. We therefore sought to create a sanctions program that is specifically adaptive and responsive to Iranian evasion attempts. The examples of Iran's deception are numerous. Iranian banks and companies have concealed their involvement in transactions by removing or stripping their names from transaction documents. Non-sanctioned Iranian banks have stepped into the shoes of sanctioned banks to disguise the role of sanctioned banks in transactions. IRISL, which we designated in 2008, has renamed and even repainted ships, and changed the nominal ownership of vessels, all to hide their connection to the shipping company. A good example of Iran's continued deceptive and illegal conduct has been widely reported recently. Just a few weeks ago, Nigeria intercepted and seized an Iranian weapons shipment, including 13 containers of rockets and explosives, which were labeled as building materials. Several Iranians in Nigeria quickly sought refuge in the Iranian embassy, and last week, a Nigerian court charged a reported member of the IRGC in the plot.

We have publicized this kind of deceptive activity and have taken enforcement action against those that have cooperated in these deceptive practices and thereby facilitated Iran's illicit conduct. Amid the wealth of derogatory information, the private sector has become increasingly wary of engaging in any business with Iran. Many in the private sector are simply unable to distinguish between Iran's legitimate and illicit transactions, and so they have opted to cut off Iran entirely. In this way, Iran's own evasion and deceptive conduct is further increasing its isolation.

UNSCR 1929 and its Implementation

It would be difficult to overstate the importance of UNSCR 1929 to our strategy. It has been essential to broadening our international coalition and is the foundation upon which robust sanctions implementation internationally has been based. In the diplomacy leading up to the adoption of UNSCR 1929, we pushed hard for provisions that would create this foundation.

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UNSCR 1929 includes several significant provisions, including: A ban on certain ballistic missile activity; a ban on Iran's investment in nuclear and missile-related industries abroad; a ban on the export to Iran of certain heavy weapons; mechanisms for inspecting Iranian cargo and seizing contraband; and a requirement to exercise vigilance when conducting certain business with Iranian entities, including the IRGC and IRISL. On the financial side, UNSCR 1929 lays the foundation for robust international sanctions in its call to member states to prevent the provision of financial services (including banking, insurance, and reinsurance), if there are reasonable grounds to believe that such services *could* contribute to Iran's nuclear or missile programs. The vast body of public information demonstrating the scope of Iran's illicit conduct and deceptive practices — practices that have facilitated its proliferation activities — makes it nearly impossible for financial institutions and governments to assure themselves that transactions with Iran could not contribute to proliferation-sensitive activities.

Both prior to and in the aftermath of UNSCR 1929, we have worked closely with our allies to ensure serious and resolute follow-on implementation of its provisions. Over the past several months, the sanctions regimes adopted by the European Union, South Korea, Japan, Canada, Australia, Norway and others contain a number of powerful features. In addition to designating a wide range of actors engaged in illicit conduct, including the entire IRGC and IRISL, many of these sanctions programs also include: A prior authorization regime that requires the vetting of significant transactions with Iran; the imposition of severe restrictions on export credits for business with Iran; a prohibition — either formal or de facto — on the establishment of new branches of Iranian banks in these jurisdictions, or of their home-country banks in Iran; and formal or de facto prohibitions on the establishment of new correspondent relationships between their banks and Iranian banks.

In particular, the EU's regime exerted a great deal of influence over the shape of the sanctions programs enacted by other nations, for it contains a robust complement of systemic measures designed to protect against widespread Iranian abuse. The EU subjected scores of individuals and entities tied to Iran's nuclear, missile, and conventional weapons programs to an asset freeze – including Bank Mellat, Bank Saderat, Future Bank, Post Bank, Persia International Bank, the Export Development Bank of Iran – in addition to Bank Melli and Bank Sepah, which the EU had previously designated. The EU also designated the IRGC, IRISL, and numerous entities that are owned or controlled by, or operate on behalf of, those organizations. Significantly, the EU measures include an asset freeze on IRISL and a prohibition on the loading and unloading of cargoes on or from IRISL vessels in ports of EU Member States.

Beyond freezing the assets of a targeted list of individuals and entities, the EU's measures also comprehensively address the conduct of financial dealings with any Iranian person or entity. The EU's regime requires additional monitoring when doing any business with Iranian entities and entities owned or controlled by Iranian entities. In what is perhaps its most consequential measure, the EU has imposed a prior authorization regime designed with Iran's history of deceptive financial conduct in mind. Under the prior authorization regime, transactions to or from an Iranian individual or entity, of or above 40,000 Euros generally must be approved *in advance* by the EU host nation's regulator. Financial institutions must also notify their regulators of transactions to or from an Iranian individual or entity above 10,000 Euros. The EU also prohibited the provision of insurance and reinsurance to the Government of Iran or Iranian

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entities and banned the opening of new branches, subsidiaries, or representative offices of Iranian banks within the EU. Similarly, EU banks are prohibited from establishing new joint ventures or correspondent relationships with, or taking an ownership interest in, Iranian banks. They also are prohibited from opening new offices, subsidiaries, or banking accounts in Iran.

CISADA

When it passed CISADA, Congress took an extraordinarily effective step in bolstering U.S. sanctions authorities with respect to Iran. CISADA complements UNSCR 1929 and previously existing sanctions authorities by *inter alia* dramatically strengthening U.S. financial sanctions on Iran, restricting U.S. government contracts for companies that engage in sanctionable business with Iran, strengthening existing U.S. sanctions with respect to Iran's energy industry, and providing for sanctions on those responsible for or complicit in serious human rights abuses in Iran.

As you know, CISADA requires Treasury to issue regulations to prohibit or impose strict conditions on access to the U.S. financial system by any foreign financial institution that Treasury determines knowingly engages in one of the following activities: (1) facilitating the efforts of the Government of Iran (including the IRGC) to acquire or develop WMD or delivery systems for WMD, or to support terrorism; (2) facilitating the activities of a person subject to financial sanctions pursuant to UNSCRs with respect to Iran; (3) engaging in money laundering to carry out certain illicit conduct; (4) facilitating the efforts by the Central Bank of Iran or any other Iranian financial institution to engage in certain illicit conduct; or (5) facilitating significant business for U.S.-designated IRGC individuals or entities, or for financial institutions designated by the U.S. Government in connection with Iran's WMD program or support for international terrorism.

Treasury published the Iranian Financial Sanctions Regulations to give effect to the financial provisions of CISADA on August 16, 2010. The regulations implement these provisions in several ways, most importantly by describing the factors that Treasury may consider when determining whether to impose sanctions under CISADA. While any such determination will be made according to the totality of the facts and circumstances of each specific case, the factors we identify in the regulations that we may consider include the size, number, and frequency of the transactions; the level of awareness of the transactions by senior management and whether they are part of a pattern of conduct; and whether the financial services involve an attempt to engage in deceptive practices.

CISADA's financial provisions are quite powerful as they force a stark choice: If you conduct certain business with Iran, you risk losing access to the U.S. financial system. In this way, CISADA creates a multiplier effect for certain U.S. designations. Most notably, any significant business by a foreign financial institution with any U.S.-designated IRGC individual or entity or with any one of the 17 Iran-related financial institutions designated by the U.S. for terrorism or proliferation carries with it the possibility of that foreign financial institution being cut off from the U.S. financial system.

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We have moved quickly to implement CISADA's financial provisions, and have already contacted governments and financial institutions in more than a dozen countries to investigate conduct that could be sanctionable under the Act. What we are seeing thus far is very positive – even banks that had been willing to maintain accounts for designated Iranian banks are now reversing course or cutting ties with Iran altogether. Nevertheless, we know that Iran continues to search for work-arounds, and we must and will remain vigilant in enforcing this law.

U.S. Actions and Outreach Help Drive Global Implementation of Sanctions

All elements of the Administration have been very active during the past several months in the implementation of U.S. and UN sanctions on Iran. Since the adoption of UNSCR 1929, Treasury has used its authorities to target the full range of Iran's illicit and deceptive conduct by imposing sanctions on illicit actors themselves, as well as the banks, front companies, and ships that are the conduits for their conduct. As part of a broader U.S. Government outreach effort, Treasury officials have also been traveling the world to encourage robust implementation of UNSCR 1929 and to educate other governments and the international private sector about recent U.S. measures, particularly CISADA.

Targeted Financial Measures

The actions taken since June generally fall into five categories: Iranian-owned banks; IRGC-affiliated targets; IRISL front companies and vessels; Iranian human rights violators; and Iranian government entities identified pursuant to the Iranian Transactions Regulations (ITR). In the category of actions against Iranian-owned banks, Treasury designated Iran's Post Bank shortly after the adoption of UNSCR 1929 for providing financial services to, and acting on behalf of, U.S.- and UN-designated Bank Sepah. Post Bank's history provides yet another example of the deceptive practices Iran routinely employs to evade sanctions. At one point, Post Bank's business was conducted almost entirely within Iran. With Iran's state-owned banks facing increasing sanctions, Iran began using Post Bank to facilitate international trade. Post Bank actively stepped into the shoes of Bank Sepah to carry out transactions set up by Bank Sepah and to hide Bank Sepah's involvement.

In September, Treasury also designated Iranian-owned Europäisch-Iranische Handelsbank (EIH), a bank located in Hamburg that had acted as a key financial lifeline for Iran and as one of Iran's few remaining access points to the European financial system. EIH had facilitated billions of dollars worth of transactions on behalf of Iranian banks previously designated for proliferation-related activities. EIH became the 17th Iran-related bank designated in connection with Iran's provision of support to terrorism or its proliferation activities. As described above, because of the potential application of CISADA, these actions make it extraordinarily risky for any foreign financial institution to do business with EIH, Post Bank or any other Iranian banks we have designated.

Since June, Treasury has designated 10 IRGC-affiliated individuals and entities for facilitating Iran's nuclear and ballistic missile program or support for terrorism. First designated by the U.S. in 2007, the IRGC is the epitome of a conduct-based sanctions target because of its range of illicit conduct – its support for terrorism, its involvement in Iran's proliferation activities, and its

suppression of domestic dissent, including in the aftermath of the June 2009 election. Since June we have also exposed and designated 53 IRISL front companies, 9 IRISL officials, identified 27 vessels as property blocked because of their connection to IRISL, and updated the entries for 71 already-blocked IRISL vessels to identify new names given to these vessels as part of IRISL's efforts to evade sanctions.

In September, President Obama signed an Executive Order that imposes sanctions on Iranian officials determined to be responsible for or complicit in, the commission of serious human rights abuses involving Iran. In signing the Order, the President identified for sanctions eight Iranian individuals who share responsibility for serious violation of human rights that have occurred since the June 2009 disputed presidential election. Among those identified were IRGC officials and Iranian government ministers.

Since June, we have also identified, pursuant to the ITR, 43 entities in the banking, investment, mining, engineering, insurance, energy, petroleum, and petrochemical industries determined to be the Government of Iran. Many of these entities are located outside of Iran and have names that make it difficult to recognize them as Iranian government entities. By listing these entities pursuant to the ITR, we both help U.S. persons comply with U.S. law prohibiting business with Iranian government entities and also assist private sector actors around the world that are increasingly deciding to shun business with the government of Iran.

Global Engagement

As I noted earlier, since the adoption of UNSCR 1929, Treasury has continued its campaign of engagement regarding Iran's illicit conduct. Over the last several months, my colleagues and I have traveled around the world to speak to governments and private sector representatives about Iran sanctions issues, including CISADA. By the end of this week, we will have visited 24 countries – Belgium, Denmark, France, Germany, Switzerland, the Netherlands, Brazil, Ecuador, Japan, China, South Korea, Armenia, Azerbaijan, Georgia, Pakistan, Lebanon, Turkey, Iraq, Kuwait, Bahrain, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – to discuss the risks posed by Iranian financial activity and the steps necessary to control those risks.

In particular, we have worked with our partners as they shape their own implementation of UNSCR 1929 and we have sought to educate both governments and the private sector – including scores of foreign banks – on CISADA. CISADA is a powerful tool and we do not want international financial institutions to be surprised by the potential consequences that flow from it. The responses we have received from foreign regulators and financial institutions in the course of this outreach have been overwhelmingly positive, and it is clear that the provisions of UNSCR 1929 and CISADA are being taken seriously.

The Impact of Sanctions

In the course of our travels, we have encountered a growing number of financial institutions, driven by increased awareness of Iran's illicit and deceptive conduct, that are shying away from doing any kind of business with Iran. Many institutions have simply stopped dealing with

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Iranian banks altogether, in light of Iran's established history of using deceptive financial practices to mask the real nature of, or the true parties involved in, their transactions.

As a direct result, Iran has become increasingly isolated from the international financial system, with limited access to financial services. And, without access to financial services, it becomes difficult to conduct commercial transactions of all kinds. Just a few years ago, Iran was able to access financial services from the world's largest and most prestigious financial institutions. Today, by contrast, Iran has been relegated to the margins of the international financial system, and is finding it increasingly difficult to access the large-scale, sophisticated financial services necessary to run a modern economy efficiently.

The movement away from business with Iran has not been restricted to the financial services sector. Companies from many industries, including manufacturing, automobile, insurance, engineering, and accounting, have similarly announced the withdrawal of business from Iran. Many foreign energy companies have also withdrawn their investments in Iranian petroleum projects, and have pulled out of joint ventures with Iranian energy companies. Some European and Middle Eastern companies have even stopped providing jet fuel to Iran's national air carrier in Europe. Iran is finding it more difficult to import refined petroleum products and is being forced to make tough domestic trade-offs to fill the gap. And Iran is increasingly unable to secure the foreign investment, financing, and technology it needs to modernize its aging energy infrastructure, threatening its oil and gas production and export capacity over the long term. The Iranian economy depends on energy revenues, and the continued stagnation, or decline, of energy outputs will adversely affect Iran's economic stability.

The Iranian leadership's inability to develop its most important industry could have long-term political as well as economic consequences as Iran struggles to create jobs for its disproportionately young population. Unemployment is currently 12 percent, even according to unreliable official estimates; Iran's parliament has claimed that it is as high as 22 percent. People under age 30 account for three out of four unemployed Iranians.

The degradation of Iran's access to the international financial system has also made it very difficult for Iran to make payments on loans and maintain insurance coverage on IRISL ships, which is having an impact on the shipping company's ability to continue operations. Just a few months ago, Credit Agricole Corporate & Investment Bank seized three IRISL ships in Singapore to recover $110 million on a $235 million loan arranged in 2006 to finance ships ordered by IRISL. According to news reports, the bank claimed that IRISL breached its loan covenants, particularly its obligation to maintain insurance.

Iran is poorly positioned to respond to the impact of sanctions and, as the leadership tries to formulate a response, it is faced with unappealing choices. As an example, in part because it is encountering difficulties in acquiring refined gasoline because of sanctions, the government is seeking ways to reduce domestic demand for gasoline. One obvious step would be to reduce the heavy subsidies on gasoline that now make the price at the pump about 37 cents per gallon. Iran recently announced that it would reduce subsidies on gasoline and other household and energy products by $20 billion. The government, however, has hesitated to go forward with these subsidy cuts most likely because of concern about popular backlash. They have even deployed

security forces to try to enforce order and President Ahmadinejad has even threatened to severely punish businesses that raise prices of consumer goods in reaction to subsidy cuts. Additionally, fears that inflation could accelerate surrounding government implementation of subsidy reform, combined with increased barriers to Iranian banks and currency exchanges accessing dollars as a result of the implementation of recent sanctions, were likely the cause of the sudden near-20% depreciation of the Iranian rial on market exchanges in late September. The Central Bank of Iran was slow to respond to these pressures, and it took weeks of intervention to stabilize volatility in the rial market exchange rate.

Because of consistent pressure from sanctions over recent years and difficulties in attracting foreign sources of investment, the Iranian government is increasingly turning to the IRGC to maintain its hold on political power and for key economic projects. The Iranian government has turned over to the IRGC major transportation and energy sector projects, including the development of oil and gas fields. Indeed, the IRGC is taking increasing control over significant portions of the Iranian economy, and it is doing so with the help of sole-source contracts that deprive average Iranians of economic opportunity.

The IRGC itself is, of course, a key target of U.S. and international sanctions, which means that Iranian government reliance on the IRGC will only deepen Iran's isolation. For example, because Iran could not attract a suitable foreign energy firm to develop phases of the South Pars gas field, Iran gave the opportunity to Khatam al-Anbiya, an IRGC-controlled company. However, Khatam al-Anbiya lacked the capability to develop the project itself. Because of its inability to develop this project without foreign partners, Khatam al-Anbiya was forced to withdraw from the project following designations by the U.S., then the EU, and finally by the UN. Using the IRGC to fill its investment gap will thus only make matters worse for Iran. The UN Security Council has now designated most of the major companies controlled by the IRGC and many of its senior officers for proliferation, and the EU, Japan, South Korea, and of course the United States, have also designated the IRGC in its entirety. The example of Khatam al-Anbiya is representative of our conduct-based strategy at work: As Iran is forced to rely on entities that have been exposed for bad conduct, it will find its options increasingly limited and will have greater difficulty coping with sanctions.

We believe that the speed, scope, and impact of sanctions have caught the regime by surprise. There are clear signs that the Iranian leadership is worried about the impact of these measures and is taking sanctions seriously. Earlier this fall, a high-ranking Iranian official warned against dismissing international sanctions as a "joke," saying the Islamic republic was facing its worst ever "assault" from the global community. As the pressure on Iran has increased, so has internal criticism and questioning of President Ahmadinejad and others for their handling of Iran's response to sanctions.

Conclusion

As a result of the international community's recent sanctions measures, including CISADA, and of our efforts to publicize Iran's illicit and deceptive conduct, Iran is feeling the pressure of sanctions as never before. Iran is struggling to find access to the international financial system, without which it is difficult to run an economy on the scale that a country like Iran needs.

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While we believe that sanctions are having a real impact, we are also confident that Iran will continue to engage in illicit activity, and to employ deceptive conduct to mask that activity and otherwise evade sanctions. The examples I discussed earlier of Post Bank, IRISL, and the weapons shipment seized by Nigeria are only three examples of Iran's well-established practice of trying to evade sanctions. While our strategy was designed to account for Iran's attempts at evasion and we have been aggressive in highlighting and stopping such activities, we cannot afford to let up. In September, a high-ranking Iranian government official underscored exactly the effect we have tried to create when he said that "we have never had such intensified sanctions and they are getting more intensified every day. Whenever we find a loophole, they block it." In order to maintain this atmosphere, we must continue to actively seek out, publicly expose, and shut down Iran's efforts at evasion. We must also try to use Iran's deception to our advantage to forge an ever-more determined coalition to curtail Iran's illicit conduct.

In order to maintain and even increase the impact we have created so far, we need to remain vigilant and intensify our efforts. By doing so, we can continue to create the leverage needed for our diplomacy to be effective. I look forward to continuing our work with this Committee to achieve that goal.

Chairman BERMAN. Well, thank you very much, Secretary Levey, for the testimony and the overview.

I will now yield myself 5 minutes to begin the questioning.

Neither of you mentioned China in your testimony. Are Chinese companies involved in Iran's energy sector? And, if so, why are we not sanctioning them?

I understand the dilemma. What are the implications for our relations with China if we were to sanction a state-owned energy company? But I would also throw out the alternative proposition: What are the implications for our entire sanctions regime if we don't?

How important are Chinese companies to Iran's energy sector and refined petroleum products? And are there other countries or companies that are currently supporting Iran's energy sector?

Mr. BURNS. Well, Mr. Chairman, first, we take very seriously, just as you and Congressman Royce emphasized, concerns about Chinese involvement in the Iranian energy sector. We have, at the very highest levels, including in President Obama's most recent meeting with President Hu a few weeks ago, emphasized the importance that we attach to restraint on the part of China in its dealings in the Iranian energy sector.

We have seen reports—and also the importance we attach to not only slowing down existing investments, not engaging in new ones, but not backfilling behind companies, the large number of companies that are pulling out of the Iranian energy sector.

We have seen reports since then in the trade press and other open sources of slowdowns in Chinese activities in the Iranian energy sector. It may be that the Chinese are concluding that the Iranians, as so many other companies around the world have found, are not reliable energy partners. The Chinese are clearly trying to diversify their energy partnerships around the world.

It is also clear, with regard to your question about refined petroleum products, that rising domestic demand in China is occupying a much greater proportion of the attention of Chinese refined-petroleum producers.

So, for all those reasons, we will continue to push very hard on this issue, which remains quite significant, I think, to our hopes to apply the sort of pressure that is going to be needed.

Chairman BERMAN. Thank you.

I don't like raising points based on revelations from WikiLeaks, but I am going to make an exception here because it concerns a matter of potentially great significance. And I think both the ranking member and Mr. Royce made references to this.

Do you wish to comment on the New York Times claim, based, it says, on WikiLeaks documents, that Iran has acquired 19 medium-range nuclear-capable missiles from North Korea? According to the article, these missiles can reach Berlin or Moscow. The article also says that possession of these missiles can facilitate Iran's development of intercontinental ballistic missiles. And I should point out that that claim was treated skeptically today in today's Washington Post, based on the Post's interpretation of the same WikiLeaks documents.

Rather than take one or the other slant, what are your thoughts about this issue?

Mr. BURNS. Well, I mean, just several quick comments, first on WikiLeaks in general.

I think, you know, the reality is that the despicable breach of trust that we have seen through the WikiLeaks disclosures has done substantial damage to our ability to carry out diplomatic efforts like the one we have just described to you. Confidentiality of conversations is at the core of what we do as diplomats, just as it is for journalists or doctors or lawyers or others.

And it has done damage. Secretary Clinton is literally working night and day, in conversations with countless leaders around the world, to try as best we can not only to express regret but to work through these issues. And we have also taken some quite stringent measures to ensure that information in the State Department that doesn't need to go to other agencies of the U.S. Government isn't going to people who don't need to know it. So that is the first general point on WikiLeaks.

I can't comment on the contents of, you know, particular alleged cables that WikiLeaks has referred to. What I will, however, stress—and this is in response to Mr. Royce's, I think, you know, very serious reinforcement of concerns about any evidence that we come across of support for Iran's illicit missile or nuclear activities—we take seriously every piece of information that we see. We have, on a number of occasions, raised that information with the Chinese Government as well as with other governments. In some cases, we have seen them act on it, but the record is a mixed one, to be honest.

And we are continuing to press those specific concerns that we have. Because I agree with you that it is extremely important to fully implement the provisions, particularly in Resolution 1929, which add significantly to the flat prohibition of any support, technical or otherwise, for ballistic missile activity in Iran that is capable of delivering a nuclear weapon. So we will continue to take this very seriously and follow up on it vigorously.

Chairman BERMAN. My time has expired. And I yield now 5 minutes to the ranking member.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman.

Thank you, gentlemen, for your testimony.

As you pointed out, Secretary Burns, the next round of the P5-plus-1 negotiations with Iran is tentatively scheduled to take place in just a few days in Geneva. However, in the lead-up to these talks, Iranian leaders have reiterated their commitment to continuing their uranium-enrichment program.

Given these statements and the position of the Iranian leadership, what does the administration expect to accomplish with these upcoming negotiations?

And related to that, previous negotiations were aimed at reaching an agreement that would require Iran to suspend its uranium-enrichment activity, as mandated by the United Nations Security Council. So is a complete halt to enrichment a prerequisite, or is the administration willing to consider a partial halt?

Also, there are rumors of a new P5-plus-1 offer to the Iranians. Does such an offer exist? And what type of incentives and disincentives are included in the proposals?

Also, what is the administration's plan regarding the uranium that Tehran has enriched to the 20 percent level? Will we insist that Iran surrender the entire amount, or is a deal in the works allowing Iran to keep some portion of what it has already amassed? And how do you plan to deal with Iran's using the negotiations as a stalling procedure by the U.S. and other countries?

And then lastly, I know the chairman has talked about the energy and refined petroleum activities with Iran, and China being a repeat offender, but we also have the Iran, North Korea, Syria Non-Proliferation Act, INKSNA, and that is also a sanctionable procedure that we can use. And I wanted to ask about the administration possibly taking action against Russia and their entities implicated in the proliferation assistance to Iran.

I don't know if we will have time for all of that, but thank you, sir.

Mr. BURNS. Sure, no, thank you. And I will try as best I can, very briefly, to go through four or five points.

First, in terms of our general approach, as I emphasized in my opening statement, the P5-plus-1 will go into what we hope will be a serious round of discussions with the Iranians, prepared to engage seriously about our very profound concerns about Iran's nuclear program. We will continue to emphasize the importance of taking tangible steps to address those concerns, tangible steps which are necessary as a result of Iranian noncompliance over many years and the mistrust that that has created.

We will be guided—and this is in response—this is my second point—in that approach, the P5-plus-1 will be guided by a whole series of Security Council resolutions and IAEA decisions—Security Council resolutions which include the mandate in the provision that you mentioned.

Third, we will certainly look for ways in which we could build confidence and steps the Iranians could take, that could be taken together to build confidence. Last year, as you know, we made an attempt through the original Tehran research reactor proposal to do that. We are still prepared to consider the P5-plus-1 or the possibility of making use of that concept. But last June, we made clear to Mr. Amano, the director general of the IAEA, that we, the Russians, and the French, our partners in the so-called Vienna Group on the TRR issue, had several concerns that would have to be addressed if the TRR is to be a real confidence-building measure, because circumstances have changed since this was originally proposed last October.

Ms. ROS-LEHTINEN. You talked about the steps. Are they tangible steps? And is there a deadline? Are we really providing these deadlines for them to make good on what they supposedly offer, or just keep stalling and stalling and run out the clock?

Mr. BURNS. No. Well, first, in terms of the tangible steps, you mentioned the issue of enrichment, almost 20 percent. That is one of the concerns that we made clear. I mean, that is something that would have to be addressed.

In terms of——

Ms. ROS-LEHTINEN. Thank you. We will discuss that later. And I wanted to ask about the Russian entities. Any movement in sanctioning those?

Mr. BURNS. Well, on INKSNA, which was the question I think you had asked——

Ms. ROS-LEHTINEN. Right.

Mr. BURNS [continuing]. The State Department has finished its draft of the report for 2008. We are trying quickly to catch up. We have provided the 2007 report, I think, a few months ago, and that is in circulation interagency right now.

So we take very seriously the importance of following through on INKSNA and hope to have that report to you early next year.

Ms. ROS-LEHTINEN. Thank you very much.

Sorry I ran over time. Thank you, Mr. Chairman.

Chairman BERMAN. The time of the gentlelady has expired.

The chairman of the Middle East and South Asia Subcommittee, the gentleman from New York, Mr. Ackerman, is recognized for 5 minutes.

Mr. ACKERMAN. Thank you, Mr. Chairman.

Thank you for your testimony.

Several thoughts first. It seems that the evil twins of Iran and North Korea had been separated at birth and have now reunited and found each other and have certain things in common and certain things that are different, with Iran insisting that its nuclear program is for energy only, and the North Koreans protesting very, very loudly that theirs is absolutely for nuclear weaponry, and demonstrating that at every moment that they can. The combination of the two of them joining in their mutual interests is very lethal.

It seems to me that, among terrorists and terrorizing nations, it almost seems that possessing a nuclear program is a rite of passage to becoming a respected member of the international community. And they are pursuing that at all costs.

Trying to evaluate the effectiveness of placing sanctions on Iran to drive it to the point where they become an economic basket case such as North Korea—where we really don't have to have too many economic sanctions because they are there already at the bottom of wherever they have to be, but still not giving up their program—I think we should reflect a bit on what happens when the Iranians are driven to that economic low point, should the program of imposing strangling sanctions, as the successes seem to indicate that we will have, whether or not that produces the goal that we are looking for.

Some of the things we have seen in these leaks that have appeared in the media a lot of us have found to be true. Those of us who have spoken personally to world leaders, especially in the Middle East, who tell you you have to impose tough sanctions and when you ask them the question, "Will they work?" they say, "Hell no, there is no way that they are going to work."

At what point do we make the determination that the sanctions, no matter how successful in measurable aspects, are not going to prevent the Iranians, whose game is intent to just run the clock on us till they have the weapon, that we have to find and exercise an alternative means? Where is that point?

Mr. BURNS. Well, Mr. Ackerman, I can't give you a precise point. I mean, all I can say is that I think there is still time to continue the approach that we have used, to tighten pressure, to try to make

clear that there is an alternative pathway through which Iran could have a peaceful nuclear program and enjoy the benefits of contacts with the international community, but it is going to have to take some very concrete steps to address international concerns about its nuclear program. I think there is still time for a serious diplomatic effort to try to produce that outcome.

Mr. ACKERMAN. And I will ask the same question, as well, to Secretary Levey.

Mr. LEVEY. I was just going to comment, Mr. Ackerman, I think the distinction that you have drawn between North Korea and Iran, and also—that there are differences, I think, also in the potential effectiveness of sanctions. And the basic point, I think, is that Iran doesn't want to be isolated, and perhaps that is not so much the case with North Korea.

Iran doesn't want to be isolated. They are facing situations—as they look out from where they are now, they see a lack of investment coming in. They see the inability to do business with major financial firms. They see the inability to do business with first-tier energy firms. They see that that has potential impact on their oil and gas production in the medium term, the inability to create jobs, et cetera. They don't want to be this kind of pariah.

And while, as Bill pointed out, there is no guarantee here, that at least gives us some reason for confidence that they will want to change that dynamic.

Mr. ACKERMAN. Let's assume that you are wildly successful and in a period of, I will give it 90 days, you have cut their GNP, their economy, and everything else by 99 percent, and they have an atomic weapon, they have a nuclear weapon, where are we?

Mr. LEVEY. I think the point is——

Mr. ACKERMAN. I think your clock runs faster than theirs, is the point I am making. And I think that we have to have a plan B. Because plan A, by anybody's estimation, even if successful beyond our wildest dreams in a real quick time frame, is not going to change the dynamic.

Chairman BERMAN. The time of the gentleman has expired.

The gentleman from Florida, Mr. Mack, is recognized, the ranking member of the Western Hemisphere Subcommittee, recognized for 5 minutes.

Mr. MACK. Thank you, Mr. Chairman. And thank you to the ranking member, as well, and for the witnesses today for being here.

Someone earlier said that they didn't hear you talk about China in your opening statements. I also didn't hear you talk about Venezuela in your opening statements. And let me suggest that Venezuela is in violation of the Iran Sanctions Act.

That being said, if both of you could answer, why have we not sanctioned Hugo Chavez? That is question one. And I will let you answer that real quick, and then I have a couple follow-ups.

Mr. BURNS. Well, sir, I will just start by saying we did sanction one Venezuelan bank because of its connection to an Iranian bank, the Export Development Bank of Iran, which we had already sanctioned.

We will continue to monitor very carefully the Venezuelan-Iranian relationship and, particularly, Venezuelan compliance with

U.N. Security Council resolutions and hold them to their international obligations.

Mr. MACK. Secretary Levey?

Mr. LEVEY. As Bill pointed out, we have taken action when we identify conduct that is in violation of the sanctions and will continue to do so.

Mr. MACK. What information do you have on the allegations that gasoline in excess of 1 million U.S. dollars has been sent from Venezuela to Iran, utilizing China's National Petroleum Corporation and the Emirates National Oil Company?

Mr. BURNS. I will have to try to get you an answer on that, sir. I don't know.

Mr. LEVEY. I have no further information at my fingertips.

Mr. MACK. Okay. Well, let me suggest that Venezuela has violated the Sanctions Act by its shipment of gasoline to Iran.

Next question. What is the status of the joint Venezuela-Iranian international development bank and its U.S.-alleged connections to Iranian military entities and nuclear ambitions?

Mr. LEVEY. I will get back to you with a more complete answer, but, in general, let me say that we have been looking very carefully at banking ties between Iran and Venezuela. When we have identified sanctionable activity, we have taken action. There was a subsidiary of the Export Development Bank of Iran in Venezuela which we have sanctioned.

But there is also a fair amount of bluster that we have also seen from Venezuela, where they are playing up some of these ties and sometimes there is not as much substance behind the bluster as they would like us to believe. And we have to make sure that we cut through all of that and act based on the evidence.

But we will have to get back to you with a more detailed answer on the——

Mr. MACK. Well, let me suggest this. That is their problem. If they choose to bluster about it, then we need to hold them accountable. I mean, I think that, you know, as you have listened to some of the other members, the clock is running—they are trying to run the clock out. And so, let's take their word for it. If Hugo Chavez says that he is sending gasoline, let's take his word for it. If his banks are in violation with this Iran Sanctions Act, let's take his word for it.

Now, if you don't want to take his word for it, I think there is plenty of evidence, also, to suggest that in both those cases he is in violation. And the problem that I have is, when you have an act like the Iran Sanctions Act and you apply it to some and you don't apply it to others and you are slow on the draw, others figure out a way to game it.

So if we are going to be serious about the Iran Sanctions Act, it starts with countries like Venezuela. We need to hold Hugo Chavez accountable. I think that, as you look through, you will find even more connections that are in direct violation of the Iran Sanctions Act.

Let me ask you this, Secretary Levey. Will you set up a task force on PDVSA involving the developing of Iran's nuclear capacity and other corrupt activities?

Mr. LEVEY. I guess the question of PDVSA would be more of a State Department lead, but we are happy to take a look at it in detail and take whatever action is appropriate.

I want to assure you, there will be no hesitation to take action against Venezuela, or any other country for that matter, but no hesitation to take action against Venezuela if we identify sanctionable activity. This is not—no question about that.

Mr. MACK. Well, I will suggest again that he is in violation, and so actions need to be taken.

Secretary Burns?

Mr. BURNS. Just to reinforce what Stuart said, we will devote all the resources we need to get to the bottom of all the concerns that you rightly raised. And where we come across evidence, we will certainly hold the Venezuelan Government accountable.

Mr. MACK. Thank you.

Chairman BERMAN. The time of the gentleman has expired.

The gentleman from California, chairman of the Terrorism, Nonproliferation and Trade Subcommittee, Mr. Sherman, for 5 minutes.

Mr. SHERMAN. The chair and several members have focused on China. China attacks us in a hundred ways: Attacks the economic security of Americans, attacks the national security of our country, cooperates with and subsidizes rogue regimes. And this is best exemplified in the example from the ranking member of our subcommittee, where China facilitates the transfer of missile technology from North Korea, which it subsidizes, to Iran, which it uses the threat of its U.N. veto to protect.

And I don't blame so much Beijing as I blame Washington. We, in Congress, have a choice between two approaches. One is to continue to denounce China, in this room and others, in the hopes that our words will sting so badly that Beijing will change its policies. And occasionally we grant to the administration the authority to actually hit China a little bit, just as CISADA would allow you to sanction Chinese companies. But we know you are not going to do it to any significant degree.

So one approach is to continue our current policy. The other is to take a radical approach, such as the bill I have proposed, which within 6 months would end most-favored-nation status for China. Given the power of Wall Street, I think it is clear that at least at the present we are going to continue our present policy.

As to plan B, the King of Saudi Arabia told us what our plan B was. I am hoping plan A works.

Secretary Burns, I was struck by your opening comment in which you said that sanctions were a mere complement to negotiations. Now, one view is that Iran really wants a Kumbaya moment with the United States. Another view is that Iran wants nuclear weapons so badly that nothing but the prospect of the brutal murder of all regime leaders by their own people would cause them to abandon their nuclear program.

Assume—and I realize I may be less optimistic than you—assume the second Iran. Are our sanctions policies enough not to just encourage a Kumbaya Iran to join us in negotiations; are you building toward sanctions strong enough to force a determined, bel-

ligerent Iran to choose between regime survival and abandonment of their nuclear program?

Mr. BURNS. Well, Mr. Chairman, Kumbaya moments are not something I have ever associated with doing business with this Iranian leadership. It is a pretty unsentimental leadership, and I think our approach is also pretty unsentimental. What we are——

Chairman BERMAN. A little closer to the mike, Bill.

Mr. BURNS. Sorry. What I said is that Kumbaya moments are not something that I normally associate with dealings with the Iranian leadership.

What we are determined to do is to sharpen the choices that that leadership faces to try to ensure that it sees both the possibilities of addressing international concerns about its nuclear program but also the costs. And the costs are rising.

Mr. SHERMAN. Secretary, the question is, do you have a plan A that will force this regime to choose between regime survival and a nuclear program? Or do you only have a plan of sanctions that would encourage a rational regime to try to reduce the sanctions?

Mr. BURNS. Yeah, as we have described to you, Mr. Sherman, what we have is an approach which is very unsentimental which seeks to sharpen the choices for that leadership and imposes a stiffening set of costs. And I think what we have seen——

Mr. SHERMAN. Let me move on. The idea of stiffening implies that we have a lot of time. Had the executive branch complied with the law back in the mid-1990s, we might have that time, but we don't. We have to take action that immediately bites the Iranian economy.

Toward that, the recently enacted law provides for sanctions for those who provide gasoline to Iran. The standards are a million, five million in the law.

Is the failure to launch formal investigations and actually sanction firms due to a lack of will or just a belief that we don't know who it is that is providing this gasoline? Do we not know which tankers are arriving at Iranian ports? Do we not know who owns those tankers? Even if we don't know who owns the oil on them, do we not know from which refineries they arrive? What do we have in intelligence? Why have you not sanctioned or even begun formal investigations against any entity taking gasoline to Iran?

Mr. BURNS. With regard to gasoline, refined petroleum products, I think it is pretty striking that, just in the few months since CISADA was passed, you have seen an 85 percent drop, according to open sources, in the amount of refined petroleum product that Iran is importing. We all have mentioned a number of companies which have pulled out of that business. So I think what we have seen is a quite significant move in the direction that we have all intended——

Mr. SHERMAN. Secretary, thank you for your answer, but it wasn't to my question.

Chairman BERMAN. The time of the gentleman has expired.

The gentleman from Texas, Mr. Poe, 5 minutes.

Mr. POE. Thank you, Mr. Chairman.

And I want to thank all of the Iranian Americans that are here in the audience today, concerned about a mutual concern that we

all have, and that is Camp Ashraf and a delisting of the MEK as a foreign terrorist organization.

I know the State Department and Foreign Affairs Committee are supposed to work very close together. My question, Secretary Burns, is, why has the State Department refused to brief the subcommittee chaired by Mr. Sherman on the delisting of the MEK?

Mr. BURNS. Well, sir, we are in the midst of a review that was ordered by the court last summer, as I understand it, in which——

Mr. POE. I guess my question is this: Will the State Department brief this committee and the subcommittee on information it has on the MEK and why the State Department relentlessly believes it should still be on the FTO list?

Mr. BURNS. The first thing is——

Mr. POE. No. Just answer my question.

Mr. BURNS. Sure. Yesterday afternoon, we provided an intelligence briefing, as I understand it. Second, I would be glad to take back your question and see if, in addition to the briefing we provided yesterday afternoon, there is more that we can provide at this stage. The only——

Mr. SHERMAN. Will the gentleman yield? I would point out the State Department has refused to do a classified briefing at the request of our subcommittee for over a month, but did arrange for the classified briefing from the CIA, which couldn't address many of the questions but did address some.

Mr. POE. Reclaiming my time, that is exactly my point. That briefing yesterday, which I attended, was not by the State Department; it was by the CIA. And those two agencies aren't the same.

I am just curious why the State Department, it appears to me, is so obstinate, even after going to court and the court ruling against the State Department, ordering them to provide information about the MEK in this lawsuit, information that is required to be delivered in January, which is next month, the way I figure it, and why Secretary Clinton in 2009 said that she would review the whole designation of the MEK in the next 2 years. That has not been done. The 2 years is up in January.

I want to know what information the State Department has that is so relentless on your part that they should remain on this list. Do you know that information?

Mr. BURNS. We are reviewing in response to what the court said and what Secretary Clinton said. One step in that review is to allow the MEK to have an opportunity to review the unclassified material which led to former Secretary Rice's decision in January 2009. We have provided that to the MEK. We await their input, and then we will complete the review as we promised.

And if there are other questions beyond the briefing that was conducted yesterday afternoon, as I said, sir, I would be glad to take that back and see if we can provide further answers in the meantime.

Mr. POE. The situation in Camp Ashraf appears to me to just be getting worse, not better. People are very concerned about their relatives that live there. What are some hardline new procedures that we are taking, as the United States, to ensure the safety of those people at Camp Ashraf?

Mr. BURNS. As Assistant Secretary Feltman said when he testified before you, we take very seriously the concerns that have been raised about inadequate availability of medical treatment and other kinds of activities at Camp Ashraf. There were two individuals in particular who had been raised in that hearing, and we made sure afterwards that they did have access to the cancer treatment that they needed.

We, along with the U.N. mission in Iraq, meet regularly with the Iraqi Government to hold them to their obligation to ensure that the basic human and individual rights of the residents of Ashraf are protected. And we will continue to do that.

Mr. POE. In other words, our position is we are just encouraging the Iraqis to do the right thing. I mean, is there hardline evidence that we are really encouraging in a way, I guess a diplomatic way, that they protect the safety of the people at Camp Ashraf, other than talking about it?

Mr. BURNS. We and the U.N. mission will continue to insist that the Iraqi Government meet its obligation to ensure the human rights of the residents of Ashraf. And that is to say that they are not subject to forcible repatriation to a place that might persecute them; that is to say that they have access to the medical treatment that they need. And we will continue to push that hard.

Mr. POE. Lastly, my own opinion is that the greatest hope for Iran and the world is a change, peaceful change, in regime in Iran. It is not to go to some type of military conflict. And, hopefully, the good folks in Iran will change their own rogue, unauthorized, illegitimate government, in my opinion.

What are we doing to encourage that, if anything?

Mr. BURNS. Well, sir, as I said in my opening statement, the President and the Secretary take very seriously the importance of supporting universal human rights of Iranians. We do that in several ways: First, by applying CISADA, designating individual senior Iranian Government officials who are guilty of human-rights abuses, to hold them accountable; second——

Mr. POE. Reclaiming my time, Mr.——

Chairman BERMAN. No, the time has——

Mr. POE. Mr. Chairman, may I have that answer in writing? My question was, what are we doing to promote the opposition in Iran, not human rights. And I would like to have an answer to that, Mr. Chairman.

Chairman BERMAN. Okay. Would the administration be willing to lay out a number of the different things that you are involved in doing in communication to the committee or to Mr. Poe. Thank you.

And the time of the gentleman has expired. The gentleman from Florida, Mr. Deutch, is recognized for 5 minutes.

Mr. DEUTCH. Thank you, Mr. Chairman.

Mr. Chairman, I would like to commend you and Congresswoman Ros-Lehtinen for your leadership on these issues. And thank you, Secretary Burns and Secretary Levey, for your testimony.

On September 30th, Deputy Secretary Steinberg announced that Total, Statoil, ENI, and Royal Dutch Shell have pledged to end their investments in Iran's energy sector. And, as a result, pursuant to the special rule provided for in CISADA, there would be no investigation into their activity. The special rule provides that, and

as the notice sent to our committee stated, that they are either no longer engaging or have taken significant verifiable steps toward stopping activity.

My question, first question is: To what extent do those four companies continue to operate in Iran's energy sector?

Mr. BURNS. Well, just to add, sir, there is a fifth company since then to which the special rule has applied, INPEX, a Japanese company. So I think, broadly speaking, it is a demonstration that that instrument, which is a very important one, is working to produce the outcome that we want.

With regard to the companies that you mention, I can try to get you a more detailed answer, but we have had quite detailed conversation with those companies. They are winding down their operations quite rapidly. And they have given us very clear assurances that, not only are they winding them down, the current operations, but they are not going to engage in any sanctionable activity in the future.

Mr. DEUTCH. All right. Do we know how quickly they will wind down? When will they stop doing business in Iran?

Mr. BURNS. I can't give you that precise answer, but it is in the very near term and, in some cases, I think, already wrapped up. But I will try to get you a clearer answer.

Mr. DEUTCH. If you could, for each of those. And, I mean, do you know, though, is it weeks, is it months? Are they finishing existing contracts?

Mr. BURNS. No, it is—you know, I can't give you a precise answer. I promise I will get you one. But it is in the very near future. I mean, these are companies that are pulling out of the Iranian energy sector and have also, as I said, committed not to engaging in future activity.

Mr. DEUTCH. Okay. I would——

Mr. BURNS. So I think in most cases we are talking about weeks. I, you know, can't tell you if it stretches much beyond that, but I will certainly try and get you as clear an answer as I can.

Mr. DEUTCH. If you could, I would appreciate that, Mr. Secretary. If you could confirm that those companies that, at the end of September, had certified that they would be leaving will no longer be doing business in Iran within the next several weeks, I would appreciate that very much.

That, then, leads to the next question, again, with respect to what companies have said they are going to do and when they are going to do it and what constitutes credible evidence. The Boston Globe reported on November 12th that Schlumberger has promised the United States Government that it will end operations in Iran upon completion of existing contracts. But then it cites internal Schlumberger documents that existing contracts worth hundreds of millions of dollars will keep them in Iran until 2013. And, in fact, according to that report, they had entered into 12 new contracts, valued at more than $400 million, even after telling U.S. officials in February 2009 that they would cease activities.

First of all, do you have anything further on their efforts and when Schlumberger will be leaving Iran?

Mr. BURNS. No. We remain concerned about Schlumberger for all the reasons that you just described and will continue to press those

concerns. I don't have anything further to add on that, at this point, unless you do, Stuart.

Mr. DEUTCH. Mr. Secretary, then, does this report—and this is, I think, the main question I have today. Does a report that cites internal documents of the company, like this report that was published in the Boston Globe, does this constitute credible evidence that either has or will cause an investigation to be launched against Schlumberger?

Mr. BURNS. Well, you know, in trying to determine what the threshold is for credible evidence, I mean, we go through all of those reports. We also talk to companies, themselves. We talk to governments, you know, of which those, you know, companies are hosted. We also, obviously, go through all the information in our intelligence community. So I can't give you a simple answer on that, except to say that we try to exhaust all the information we have at our disposal to make a judgment——

Mr. DEUTCH. Right, I understand. If you determine that these internal documents are valid and actually come from the company itself, and the broader question then is, if any one company identifies, self-identifies, as a company that is doing business in Iran, does that constitute credible evidence? And if it is not clear, shouldn't that constitute credible evidence?

Mr. BURNS. Well, it is certainly a very important factor in coming to that judgment, just as you said. I mean, I think, just to take a step back for a second, you know, last summer when we were asked the question about, you know, how many instances are there where there may be sanctionable activity, I mentioned in a hearing that there were 7 to 10 that we were looking at carefully.

That was in July. Since July, we have actually formally sanctioned one company; five, through the use of the special rule, have pulled out or are pulling out of the Iranian energy sector; and we have launched formal investigations into several others. So we are trying to follow through quite energetically and thoroughly on these issues.

Chairman BERMAN. The time of the gentleman has expired.

I am just going to interject here. It is probably not the way you should do it, but I will, sort of, take it as the privilege of the last hearing of my chairmanship, at least for a while, and just point out: The law provides for this credible-evidence threshold, and then it provides for a 180-day investigation.

I don't know if that was what Mr. Deutch was getting at, but, to my mind, there is a difference between the finding that comes at the end of a 180-day investigation, or within that 180 days, and the threshold of credible evidence. And we shouldn't fall into the trap of needing enough evidence to make the final determination about a sanction in order to decide whether or not to launch an investigation.

And, with that, I think I have exhausted whatever privilege I gave myself, and I better go on to the next member. The gentleman from California, Mr. Royce, is recognized for 5 minutes.

Mr. ROYCE. Thank you, Mr. Chairman.

The story that I pointed out from the Post actually predated WikiLeaks, the story on the Obama administration, concluding that Iran was being helped by China, in terms of the development of its

nuclear weapons and its missile technology. And it comes from a story last month. Our State Department special advisor for nonproliferation presented Chinese officials with what was called a significant list of companies and banks that were assisting Iran with its missile and nuclear technology.

I think what concerns us is, as the Wall Street Journal said yesterday, China's role in Iran's procurement activities is growing; it is on the upswing. And we know that China looks the other way as weapons trade between North Korea and the Islamic Republic of Iran, ends up entrenching both regimes. And that reality pours cold water on the latest U.N. Sanctions resolution that the administration lodged this morning, a resolution that put congressional sanctions on the back burner. And I can't help but feel a sense of lost time.

But, as Stuart Levey has pointed out, the new legislation does include potent new financial sanctions. And these are patterned after section 311 of the PATRIOT Act, which was once used to great effect on North Korea.

Which brings me, Stuart, to my question. I remember when that was imposed on the Bank of Delta Asia, and it had a certain effect on the hard currency that ended up being constricted from the hands of the regime.

And I thought you might want to lay out for us what the effect was on North Korea at the time. And it worked, probably, because there was some concern about reputational risk on the part of the banks that participated in that effort. But I would also ask you, is it possible that Chinese banks today would be concerned about reputational risk and, therefore, this could be just as effective?

But let's go through the effect of it, if you would.

Mr. LEVEY. Well, thank you, Mr. Royce.

You are referring to an action that we took under the PATRIOT Act back in 2005, I believe, to designate a bank in Macau as being a primary money-laundering concern under the PATRIOT Act, under section 311. And to summarize quickly, the overall effect was it led banks around the world to stop doing business with North Korea because we had put into the public domain a catalog of the kind of illicit activity that North Korea engages in. And the fear that banks had that they might be inadvertently swept up into that led the responsible financial institutions to say it wasn't worth the risks to continue doing business with North Korea.

I think, as I said to Mr. Ackerman, I think North Korea was a more contained target, if you will. And so we have applied some of the same principles in going after the Iranian strategy, in that there is a much broader integration into the financial system that we are already dealing with, and I think just one action like that wouldn't have had the same dramatic effect. But we have drawn upon the same principle, which is that reputable financial institutions will not want to do business if they fear that they might get caught up in illicit activity like Iran's nuclear procurement, its missile procurement, its support for terrorism, and so forth.

And that is the reason why we have had the ability to have the effect we have had thus far on the banks. And we had already had a significant effect, and then CISADA dramatically increased it, because it created a situation where any bank that continued to do

business with the banks that we had already pointed out is now at risk of losing access to the U.S. financial system. It made, if you will, a multiplier effect on our designations, and it has had a dramatic effect thus far.

And to come down to your final point, which is I think that that effect even applies with respect to Chinese banks. As many people have expressed and as Bill has said, we are quite concerned about the role of China in this whole strategy, and we are continuing to press it.

But we do have one thing going in our favor, which is that Chinese financial institutions seek to have a global business model and a global footprint, and, therefore, they do take these sort of reputational concerns seriously. And that gives us the ability to be somewhat persuasive with them.

Mr. ROYCE. My only regret, Mr. Chairman, was that those sanctions were ultimately lifted. And I think, you know, it is sanctions enforcement, it is sanctions enforcement. The stakes are too high for subtlety. It is the enforcement that is going to get the demonstrative effect.

Thank you, Mr. Chairman.

Chairman BERMAN. The gentleman from California, Mr. Costa, is recognized for 5 minutes.

Mr. COSTA. Thank you very much, Mr. Chairman and the ranking member, for this timely hearing. Unfortunately, I don't think that time is necessarily on our side.

Clearly, as has been noted by many of the members here on the dais, China continues to be a key and a challenge as we try to impose these sanctions. And sanctions, I agree with Mr. Royce, must be enforced. I would like to move this a little westward on another country that I think is an important participant, a NATO ally, Turkey.

Secretary Levey, how have the Turkish banks reacted to the new sanctions? And are Turkish banks continuing to conduct business with entities that the U.S. has sanctioned?

Mr. LEVEY. With respect to Turkey, I think there are a couple of points worth making.

One is that, while Turkey did vote against the resolution, as we all know, they have stated that they will implement the resolution. And they have also stated that they will leave to their private sector decisions about what business the private sector will do.

And I have been to Turkey since CISADA was passed, and other Treasury officials have also been to Turkey since CISADA was passed. And we have engaged with the private sector there. We have engaged with their banks, their banking association. We have engaged with their government officials. And what we are finding is that the private sector, the banks in Turkey are reacting similarly because they are concerned about the potential of losing access to the U.S. financial system and they are concerned about their reputation.

I can't give you more detail in an open setting about that, but that is the general trend.

Mr. COSTA. Will it be our policy to enforce sanctions if, in fact, we find that their banks continue to do business, and would we impose the CISADA sanctions?

Mr. LEVEY. Yes.

Mr. COSTA. Secretary Burns, I would like to bring this back around—we discussed earlier Russia's role in making these sanctions work.

Do you believe that there is a correlation or a connection with regards to our efforts to secure the START treaty that is pending over in the Senate as to how Russia's behavior will be as we go forward on enforcing these sanctions? Do you think there is, in your view, a direct correlation here?

Mr. BURNS. Well, just two points, sir. First, I think Russia's partnership in the diplomacy which led to Resolution 1929 and to its own decision to cancel the S–300 sale was crucial. Without Russia's partnership, I don't think we would have had Resolution 1929. Without Resolution 1929, I think it is most unlikely that we would have seen as significant a set of measures from the EU and from many others.

So that painstaking effort to work together with regard to a shared concern about Iran's nuclear ambitions has been right at the core of our relationship with Russia over the last couple of years.

Certainly, the START agreement is in the interests of both of our countries. It is very much in the American national interest. And as the President and the Secretary have made clear, we hope very much that it can be ratified this month, because I think it is an important demonstration of a partnership with Russia, which has also produced important dividends with regard to our shared concerns about Iran.

Mr. COSTA. I would like to ask a final question, and I noted it earlier. The Revolutionary Guard in Iran, how effective are these sanctions in trying to impact their ability to continue to operate? Have we made any determination?

I mean, clearly they are, in essence, a part of the government. But, obviously—and I don't know whether, Secretary Levey, you feel best prepared to respond to this. But it seems to me that the Revolutionary Guard in Iran is at the head of many of the problems we deal with here.

Mr. LEVEY. The short answer is that you are right that they are involved in many of the problems, but the only good news I have is that that is now something that is not just recognized by the United States but recognized by the international community.

So one of the most significant pieces of 1929, which I think was widely underestimated when it was first passed, one of the significant pieces of 1929 is its designation of a number of IRGC companies for sanctions in the resolution. That led to other countries, including the EU, designating the IRGC as an organization. Similar action was taken by Japan and South Korea. The overall effect of this has been to create a dynamic that has companies around the world saying they won't do business with the IRGC.

And if you add to that the way Iran engages in deceptive conduct so you don't know who you are really dealing with in Iran and the increasing likelihood that if you are doing business with Iran you are doing business with the IRGC, this adds to the overall effect of sanctions.

I will give you a good example of this.

Chairman BERMAN. I think——

Mr. LEVEY. But I don't have to.

Chairman BERMAN. Well done.

The gentleman from California, Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. And let us note the good job that you have done in conducting, being chairman of these hearings over the last 2 years. And it has been an honor to work with you, knowing and also considering the fact that we are demonstrating for the world that, here in the United States of America, people can disagree but we have respect for one another and we treat each other fairly in trying to decide policies. So thank you, Mr. Chairman, for your leadership over these years.

I would like to associate myself with the concerns of Congressman Poe in terms of the citizens of Camp Ashraf. And I think that it is disconcerting to understand that we have to play games with the Government of Iraq after we have invested such a massive amount of treasure and blood.

We need to hear from Iraq, from the Government of Iraq, a solid commitment that they will not betray the people of Camp Ashraf to the Mullah dictatorship. That would be a terrible sign for anyone opposing the Mullah dictatorship in Iran. We would lose leverage, et cetera. So if you could pass that on, I would appreciate that.

What we hear today—and thank you, Secretary Burns, for your analysis there of the relationship we have with Russia in dealing with the Iran. It is easy to put this in one-dimensional to understand, the Russians built that nuclear power plant. We also understand that, when they signed the contracts, they were in a horrible economic situation and felt that they were being pushed to make such deals.

So you have testified today that we have cooperation from Russia now in dealing with Iran, but I think also this hearing has demonstrated that our China policy has been a dismal—dismal—failure. Not only are the Chinese not cooperating, but we can see that not just Iraq and Iran and that area but the Chinese, of course, provided the nuclear weapons for Pakistan through Korea, and the Chinese seem to be using Korea as a puppet. And the Chinese, of course, have just been playing a very negative role in the world.

And my compliment to the chairman also should suggest that in his opening statement he outlined the problem with China. If we are going to have a peaceful world, we are going to have to start dealing with China in a more forceful way.

One last note, and then I would like you to answer this. But I understand that oil now is being transferred—some of the sanctions you are talking about have been working, but oil is now being transferred, and a large amount of oil, from Iraq, from the Kurdish areas of Iraq. Is that true?

And let me just note, if it is, that we passed a resolution that I authored that would establish a consulate in Arbil, for a Kurdish consulate. We passed that, and that would not have passed had we known that the Kurds were shipping large amounts of oil to Iran.

So what is going on with that oil shipment?

Mr. BURNS. Well, sir, we share the concerns about reports of oil smuggling across the border in northwest Iraq. We have had a State Department-Treasury team in Baghdad, as well as in Arbil

recently, to talk specifically about those concerns and emphasize the need for this practice to stop.

I don't know if Stuart wants to add to it. But we take it very seriously. We have followed up, and we will continue to.

Mr. ROHRABACHER. Well, is this oil smuggling, or is this a-wink-and-a-nod-with-the-government oil smuggling?

Mr. BURNS. Well, there have been reports of smuggling that are worrisome, you know, whatever their origins or content. And it needs to stop because it runs counter to obligations.

Mr. ROHRABACHER. Okay.

One last note here about this WikiLeaks. I find it disconcerting that I have to find out information about wrongdoing of other governments and other countries through these type of leaks of classified documents.

Mr. Chairman, one of the things we are going to have to work on is the fact that we, as Members of Congress, deserve to know—if hostile countries know what is going on and our Government is protesting something that is going on with the hostile government, meaning our Government knows about it, the American people and certainly Congress should know about these things.

And, for example, there is a—we know that at least one weapons system from China has been shipped over where we protested it. The American people don't know anything about it.

Thank you very much.

Chairman BERMAN. The time of the gentleman has expired.

The gentlelady from Nevada, Ms. Berkley, 5 minutes.

Ms. BERKLEY. Thank you, Mr. Chairman. I appreciate your holding this hearing.

And thank you, gentlemen, very much for being here. It is a very important issue, and I appreciate all of your efforts on behalf of our country.

I was an early supporter of tough sanctions at the U.N. and an original cosponsor of our Iranian sanctions bill here. I think they are working. Obviously, not as fast as any of us, including yourselves, would like. But you just can't——

Chairman BERMAN. Shelley, why don't you come up here? Your mike is not working.

Ms. BERKLEY. I hope you heard all the accolades.

Chairman BERMAN. Take 30 seconds off for the accolades.

Ms. BERKLEY. Sorry I mentioned it.

I had an interesting exchange of ideas with a high-ranking Turkish official yesterday. And in the discussion, he assured us, the members of the Foreign Affairs Committee, that Turkey was, in fact, doing everything they can to help implement the sanctions against Iran and have a successful result from the implementation.

That seemed to me a bit out of sorts with the fact that they voted against the sanctions, and it is my understanding that they have done just about everything they can not to be helpful.

My question to you is, do you think that they have done anything to hamper U.N./U.S. efforts to make these economic sanctions successful?

Mr. BURNS. Well, let me start, ma'am, and then Stuart may want to add to this.

The Turkish Government has made clear, as it did to you, that they are determined to implement Resolution 1929 and all the other sanctions. Whatever their vote in the Security Council, they are obligated to do that, and we will work closely with them to ensure that.

We have already seen evidence of some Turkish companies—I mentioned earlier Tupras, which has pulled out of the supply of refined petroleum products to Iran. You know, the truth is that the total volume of Turkish trade with Iran is not that great. I think something like 2 percent of Turkish exports go to Iran and 2 percent of Turkish imports come from Iran. So, beneath a lot of the public statements, I think, as Stuart said, you know, Turkish firms, banks, and businesses have a lot more at stake, in a sense, in their business with the rest of the international community and with the United States than they do with Iran right now.

I think Turkey has made clear that they share our profound concern about a nuclear-armed Iran. We have had technical differences sometimes over this, but I think they have a lot at stake in this, too. I think they have played a constructive role in Iraq, for example, in working with us to help Iraqis produce a broadly inclusive government. I think they are very mindful of the danger sometimes of Iranian behavior in Iraq.

So I think there is a partnership with Turkey that is not perfect but that we need continue to work at, because it is significant for us in a lot of different ways.

Ms. BERKLEY. Let me ask you a question. Is there anything more that Congress can provide you so that you can make the sanctions more effective? Are there any loopholes in the law that need tightening? Is there anything we can do as a Congress that can help the State Department implement these sanctions?

Mr. BURNS. No, ma'am. We are just trying to make the best possible use of the instruments that have been provided, especially in CISADA. And as we have both described today, that is what we are working very hard to do.

Ms. BERKLEY. If there is a glaring—as you work through this and do what you are doing, if there is something glaringly missing or a tool that you find could be helpful, would you share that with Congress so we can remedy that situation?

I think it is very important, and the ramifications of this not working are catastrophic, in my mind. And while I think nothing should be taken off the table—and I have been very vocal about that the reality of not taking everything off the table is challenging.

So these sanctions have to work, because the alternatives are far more dire. So, anything we can do to help you to make this work and bring the Iranian economy to its knees, I think you need to share with us.

Thank you very much, again, for your service.

Chairman BERMAN. The time of the gentlelady has expired.

The gentleman from Nebraska, Mr. Fortenberry, is recognized for 5 minutes.

Mr. FORTENBERRY. Thank you, Mr. Chairman. And let me add my voice to those who have thanked you for your leadership over

these few years. We are grateful for your service; look forward to continuing to work with you.

And thank you, gentlemen, for coming today. I appreciate your hard work, and I do think the administration's dual-track policy is very important.

With that said, the Iranian people have a deeply historic and deep cultural sensitivity to the fundamental notions of justice. And yet, they are ruled by a religious autocracy that is bent on repressing its people and preventing Iran from taking its place among the members of the responsible international community.

We will all soon awaken to the headline that Iran has the bomb, and this will be a geopolitical game-changer. And if we look back at this, we see a pattern here where Russia, in its previous engagement, has empowered this development; China is clearly committing a sin of commission; North Korea has an exchange program with the country; and the European business interests are still involved there.

Having Iran obtain nuclear weapons in the most volatile region of the world is going to leave very, very difficult defense questions for countries like Saudi Arabia and the Egyptians and the Turks and may spark a nuclear arms race, again, in this most difficult part of the world.

And no one in the international community is going to be served if Iran uses a bomb or gives it to a proxy and it goes off in Berlin or Chechnya or Tel Aviv or New York. I just don't think that we can get our minds around the horror that would ensue.

So, with that said, again, I appreciate your hard work on this, but here we are, as a committee in the United States Congress, holding hearing after hearing on this. And we are talking about the minutiae of Iran sanctions, which is important; it is an important part of the dual-track strategy. Is this going on in the EU? Is the Russia Duma doing the same thing? Expound upon your discussions with the Chinese. You had earlier said, we have emphasized restraint with China. Okay, thank you, but "restraint."

The nature of this dilemma and the probability of what is coming has to compel us all to act swiftly. And the burden of this shouldn't just fall to this committee and on you. This has to be an international effort of the highest urgency.

So, again, the question primarily being, give me the disposition of your counterparts in Russia and the European Union and talk further about China's engagement here.

Mr. BURNS. Sure. Let me start.

First, I absolutely agree with you, there is an enormous amount at stake here. I think what is striking about the last year is the growing realization on the part of many other partners around the world, in the EU, in Russia, parts of Asia, about what is at stake and about the dangers of a nuclear-armed Iran.

And what that has led to is an unprecedented set of measures, not only Resolution 1929—that provided the foundation for it—but a truly unprecedented set of steps that the EU took, steps that they had been reluctant to take before; that, as Stuart said, Australia, Japan, South Korea, Canada, Norway, and other countries have taken; steps that Russia has taken that it hadn't been prepared to contemplate in the past, like significant curbs on arms

transfers to Iran in a U.N. Resolution and canceling of a major arms sale. All that reflects, I think, a widening realization of what is at stake.

And we will continue as energetically as we can to work with our partners to drive home to Iran the choice that it faces and the importance of it choosing a path that is going to allow its people that connection to the rest of the world, as you rightly said, that I think they thirst for and that we saw very vividly in the rioting and the other concerns that played out on Iran's streets the summer before last.

Mr. FORTENBERRY. Do we have the time?

Mr. BURNS. We feel a real sense of urgency. And we need to see action as quickly as we possibly can. And that is why we are going to drive this as energetically as we possibly can.

Mr. FORTENBERRY. Who else is driving it outside of the United States?

Mr. BURNS. Well, I think, as I said, in the European Union you see a much greater recognition of what is at stake and a willingness to act. You see that on the part of Russia. You see that on the part of our major allies in Asia. You certainly see that on the part of many of our partners in the Gulf.

So, you know, I think there is a growing recognition of what is at stake here, and we are going to do everything we can to build on that.

Mr. FORTENBERRY. All right. Thank you.

Chairman BERMAN. The time of the gentleman has expired.

The gentleman from Georgia, Mr. Scott, is recognized for 5 minutes.

Mr. SCOTT. Thank you very much, Mr. Chairman.

Again, welcome to the committee.

So, it is without any question in both of your minds that Iran is after a nuclear weapon?

Mr. BURNS. I think we see increasing concerns which lead people toward that conclusion. I mean, if Iran wanted to demonstrate the exclusively peaceful purpose of its program, it wouldn't be hard to do it. It can answer questions the IAEA has posed over the years and the U.N. Security Council has posed.

Mr. SCOTT. So, without question, you will go on record saying they are after a nuclear weapon? That is your conclusion and your conclusion; is that correct?

Mr. LEVEY. I think we have to, as policymakers, we have to make that assumption, because we have to pursue a policy that assumes that that is what they are doing.

Mr. SCOTT. Okay. We have talked about China, we have talked about Russia, we have talked about North Korea, and all of this presents a very dangerous geographical, geopolitical scenario of an impending, sort of, axis. Within that context, we have not touched upon another country which I think could hold the balance here, and that is India.

And I would like to ask you—India fascinates me, in terms of their approach to this. I think it is very important for us to examine India, particularly in view of the fact that they now are, from some information, rejecting the sanctions. And that is particularly peculiar in view of the fact that, just a few years ago, 2005, 2006,

they supported the sanctions that were put forward under the Bush administration.

Tell me what is going on in India.

Mr. BURNS. Well, sir, I mean, the Indian Government has made very clear its commitment to uphold the new U.N. Security Council sanctions resolution, 1929. And everything we see of its behavior suggests that it is serious about that commitment.

For example, one Indian company, Reliance, which had supplied a considerable amount refined petroleum product to Iran, has pulled out of that business already. India vote has voted three times in the IAEA Board of Governors to condemn Iranian behavior. In its last vote last November, it voted to condemn the Iranians at a moment when a number of other countries were on the other side of the vote, including Brazil, Turkey, Egypt, and South Africa.

So the Indians, I think, have made very clear their determination to do everything possible to ensure that Iran does not develop a nuclear weapon.

Mr. SCOTT. That is what bothers me. I have information here that says, for example, India's foreign secretary, Nirupama Rao, made India's position explicit early this month, when she said restrictions on investments in Iran's energy sector could have a direct and adverse impact on Indian companies. And, in fact, that they look forward to more investment by Indian companies directly into that energy sector. And, sort of, goes on to say that the United States is thousands of miles away; they are next-door and have a long, centuries-old relationship.

That seems to run counter to what your assessment just said.

Mr. BURNS. Well, sir, I would just say two things briefly.

First, the Indians at the very highest level have made clear their concern about a nuclear-armed Iran.

Second, I think you have to judge by the practice on the ground. Reliance, one of the major Indian firms, has essentially pulled out of business in Iran. Secondly, in the South Pars gas field, an Indian company that was involved in the past in development there has also begun to pull out.

So I think the facts suggest a real concern on the part of India.

Mr. SCOTT. Do you think that the sanctions are going to work? There is some worry about that. And, particularly, as I mentioned earlier, with North Korea, China, even with Russia, we wouldn't be in this position with Iran if it weren't for Russia investing first of all in the Bushehr plant, which seems to me might have been a convenient cover for them to pursue.

So I guess my point is that I would like to—is a military option on the table, in your opinion? And how realistic is that?

Mr. BURNS. Well, let me just make a quick comment first on Bushehr.

I mean, I think it is significant—the last administration recognized this, as well—that Russia has significantly adjusted the terms of the Bushehr project so that it would not only supply the fuel for the reactor but it also would take back the spent fuel, all under IAEA safeguards, which just simply helps to reinforce the point that Iran doesn't need a domestic enrichment capability in order to have a peaceful nuclear program.

That is the first point. Then the second——

Chairman BERMAN. Finish the answer to the last question, but the time has expired.

Mr. BURNS. All I can say is on the second point you made, sir, is the President has made clear we haven't taken any options off the table, but what we are focused on now is making diplomacy in all of its dimensions—engagement and negotiation, but also political and economic pressure—work.

Chairman BERMAN. The time of the gentleman has expired.

The gentleman from Illinois, Mr. Manzullo, is recognized for 5 minutes.

Mr. MANZULLO. Thank you.

If you take a look at the Iranian Sanctions Act, passed in 1996 I believe, and then the latest act that we passed this spring—all, of course, dealing with sanctions—can you give an opinion or at least some thoughts on the best way to, as it were, toughen up these laws, to give them real teeth, to come up with the real results that we are looking for?

Mr. BURNS. I would just start simply by saying that I think what we have before us now in the laws passed by Congress, signed by the President, but also in Security Council resolutions, steps that other countries have taken, is a very broad array of instruments.

What we need to do now and what we, as we have described, have been doing very energetically in recent months is to apply those and enforce those as vigorously as possible. I think we can continue to have a significant impact if we do that.

Mr. LEVEY. I would agree with that. The sanctions that we have on Iran are the toughest in the world. And we have made it a very, very high priority to implement them.

One thing that—when we say that CISADA has had a very positive impact, I think, to put that in context, the effect that CISADA is having is on behavior of companies outside of the United States. It does have that impact. And so, if we go ahead and continue to implement that, I think it can have a great effect, because now there is a broader recognition of how important this is. Going beyond the United States, we have a much broader set of governments that agree with us in the fundamental principle that this is a very high priority.

Mr. MANZULLO. If these sanctions don't work, then the next step would be a blockade, and the next step would be some type of—you hate to use the word, but military action. Do other countries around the world realize to the extent that the United States does the importance of complying with these sanctions?

Mr. BURNS. I think so. As I mentioned before, there is an increasing recognition of that. You see that in the behavior of many other countries—I won't say all of them, but many other countries, in recent months in particular. I think there is a growing awareness of what is at stake here and of the importance of trying to make this approach work.

Mr. MANZULLO. I agree 100 percent with what you are saying, but how do you increase the awareness? How do we get the message across to other countries in the world that this is probably the last best shot that we have diplomatically to do something?

Mr. BURNS. Well, as I said, I mean, I think many other leaderships around the world have already come to that conclusion. They

have concluded that because of Iranian behavior itself. They have concluded that because they also see the concerns of many others in that part of the world, whether it is in the Gulf or in other parts of the Middle East. And they understand the risk that a nuclear-armed Iran would pose to a part of the world that is central to the health of the global economy. So I think many other leaderships are coming to those same conclusions.

Mr. MANZULLO. Mr. Levey, did you want to comment on that?

Mr. LEVEY. I entirely agree with what Under Secretary Burns said.

Mr. MANZULLO. Okay. Well, I appreciate your time on it. It is obviously an issue of utmost concern to our country and, actually, to the stability of the whole area. Thank you.

I yield back.

Chairman BERMAN. I thank the gentleman and recognize the representative from American Samoa, Eni Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman and our ranking member, for calling this important hearing.

I certainly want to commend both Secretary Burns and Secretary Levey for not only testifying before the committee, but too often I think we don't say enough on this side of town about how much we appreciate the services that you gentlemen provide not only to our President but to our Nation.

On the important question of whether implementation of stronger economic sanctions against Iran have been proven effective or not—and I think this seems to be the question that we are trying to determine here—I would like to share with you a statement from research that was conducted by the Congressional Research Service. And I want to share this with you, and I certainly would like to add your comment on it.

It says, and I quote:

> "Because so many major economic powers have imposed sanctions on Iran, the sanctions are, by all accounts, having an effect on Iran's economy. However, data on Iran's economy is often sparse or incomplete, and it is difficult to form a precise picture on the impact of sanctions on it."

Now, officials have spoken and said that it has this effect, and yet it says again,

> "However, there is not a consensus that sanctions are causing a demonstrable shift in Iran's commitment to its nuclear program, the key strategic objective of the whole idea of sanctions."

Would you care to comment on that?

Mr. BURNS. I would be glad to start. I think in terms of——

[Audio difficulties.]

Mr. BURNS. Can you hear me? Now ours are going out.

I will be very brief, and I will turn to Stuart since it is his microphone.

Chairman BERMAN. That is not working.

Mr. LEVEY. We promise we are pressing the buttons.

Chairman BERMAN. How come mine works?

Mr. FALEOMAVAEGA. I think these mikes are bugged, Mr. Chairman, or something.

Well, I am losing time, Mr. Chairman, and I know the gentlemen——

Chairman BERMAN. We are told there is a rebooting process going on, which take a minute or so.

Try yours.

Mr. BURNS. I think we are back in.

Mr. FALEOMAVAEGA. So much for modern technology. Please proceed.

Mr. BURNS. Sir, let me just start to answer your question about the impact of sanctions in Iran.

I mean, I think in terms of objective impact on the Iranian economy, I think sanctions clearly have amplified what is already considerable mismanagement of the economy. And you can look at a number of indicators: The fact that oil revenues for the Iranian Government have declined steadily over the last 3 or 4 years——

Mr. FALEOMAVAEGA. Let me ask—I don't mean to interrupt you, Mr. Secretary, but how much is the estimate of the value of the oil reserves that Iran currently has? And I also would like to know how much oil reserves Iraq has worldwide, in terms of its capacity for whatever it has.

Because it seems to me that this is one of the fundamental reasons why we are in the Middle East, the concern about whoever is going to take possession of this oil supply. And, ironically, if I am correct that when 30 companies offered bids on the oil in Iraq, it was a Chinese company that won the bidding. They didn't even lift a finger. After all the billions and billions of dollars that we expended, the Chinese got the oil.

And I wanted to ask you, Mr. Secretary, how much oil reserve does Iran have?

Mr. BURNS. Iran has considerable reserves of both oil and gas. I will have to get you the specific figures. And, of course, Iraq does, too, particularly in terms of oil reserves.

So I don't know whether Stuart wanted to add to the answer on the economic impact on Iran.

Mr. FALEOMAVAEGA. Well, I know from the administration's point of view, you feel that sanctions have proven successful. But here is the problem that I have and that has been raised by my friend from Florida, as well as Mr. Ackerman.

China is in this mix in the most important way, to the fact that it is in China's national interest to get as much energy resources it can get. And I don't think Iran is any other exception in all the efforts that have been made worldwide—Africa. Wherever they can get energy supplies, they will do this. And so is India.

So is it in China's national interest that they get this oil from Iran one way or another?

Mr. BURNS. Sir, I think it is clearly in China's national interest to have stable access to energy reserves in the Gulf. And if you have a nuclear-armed Iran or greater instability caused by Iranian behavior in the Gulf, then you can easily put at jeopardy access to energy resources in a part of the world that is critical not only to the global economy but to Chinese economic growth. So I think that strategic concern has very much focused attention in Beijing.

Mr. FALEOMAVAEGA. Here is one question I would like—and I know I have 6 more seconds, Mr. Chairman.

It is very, very difficult for us——

Chairman BERMAN. It will get answered, though.

Mr. FALEOMAVAEGA [continuing]. Very, very difficult for us to tell the Chinese what to do. And I think this is the biggest problem we are faced with.

Thank you, Mr. Chairman.

Chairman BERMAN. That is an observation.

The gentleman from Florida, Mr. Klein, is recognized for 5 minutes.

Mr. KLEIN. Thank you, Mr. Chairman.

And, again, I want to thank the chairman and the ranking member for the opportunity to serve on this committee, and the staff for being great support, making us all look good. And, of course, Mira Resnick, Mira Kogen Resnick, who has worked with me for the last 4 years, has been an invaluable tool.

And I would like to thank our guests today, who have really provided a tremendous amount of resources, going back to the last administration to the current administration. So thank you for your work.

A few thoughts. Number one, there has been a lot of talk about China, which—I certainly support a consistent and aggressive enforcement across the board. I think we saw that even before the sanctions were actually passed word was already getting out and we already started seeing some anticipated reaction by businesses around the world. But more particularly since the sanctions have passed, the United Nations, United States, European Union, and other countries—we are starting to see more. And I would heartily and aggressively encourage you as fast and as quickly as possible to continue that process.

As it relates specifically to China, though, we have lists of China National Petroleum, China Petroleum and Chemical, and other companies that specifically and very openly are doing things that would be considered sanctionable, as I understand it. So it is not so much of a question, but it is a very strong statement that I would make and I think would be joined by most of the members of this committee: We need to go after them.

I know there are a lot of delicate issues between China and the United States relating to a whole variety of things. But if China supported this at the United Nations level and understands, for all the reasons you just explained, the importance of why a stable Middle East and a non-nuclear Iran is essential to its future and everyone else's future, they have to get on board, and they have to be held accountable just like every other country in the world. That is my first point.

Number two, the Central Bank of Iran has been a facilitator, if you will, in stepping in the void when other banks are being sanctioned. What is it that we can do, and why are we not sanctioning the Central Bank of Iran?

Mr. LEVEY. With respect to the Central Bank of Iran, for the first time the U.N. Security Council resolution actually expressed concern about the activities of the Central Bank of Iran, which had previously been something that we had been expressing some con-

cerns about, in that we had seen it engaging in the sorts of deceptive conduct that other Iranian banks were engaging in.

With respect to the Central Bank, though, it is already, in the United States, a violation of sanctions to do business with the Central Bank of Iran. In fact, it is a crime for a U.S. person to engage knowingly in a transaction with the Central Bank of Iran.

Mr. KLEIN. And to take it to next level. Other countries, our allies, or——

Mr. LEVEY. Well, I think that having this in the Security Council resolution helps to bolster us when we do what we do all the time, which is to go and share information and express concerns and try to raise awareness.

Now it is not only a U.S.-expressed concern, but it is one where we can point to the Security Council resolution. And that does help the conversation considerably. And we will continue to do that and continue to raise those concerns.

Mr. KLEIN. How big a problem is that, though, in terms of them stepping in and, you know, facilitating transactions when other banks are being sanctioned? How big a problem is it in terms of the overall scheme of clamping down and isolating Iran?

Mr. LEVEY. I would speak more generally, that Iran is going to do whatever it can—that is our presumption, that they will do whatever they can to evade the sanctions. And that is a presumption that we had going in.

And so, what we have tried to do is continue to expose that, so that not only do we make that more difficult for them, but we also, in the process, make the private sector around the world even more wary of doing business with Iran.

So the Central Bank of Iran is one concern that we have in that regard, but it is not the only one. And so our engagement on this issue, you know, has a number of concerns that we would raise.

Mr. KLEIN. Okay, again, I would encourage that.

Also, there are a number of examples that have been brought forward, the UAE as being one country, where companies are getting around restrictions in terms of——

[Audio difficulties.]

Mr. KLEIN [continuing]. By shipping through, facilitating through UAE and other countries. That is something—obviously, we are trying to close every door that is opening.

How big a problem is that?

Mr. LEVEY. I would say that we have—is my mike working it?

Chairman BERMAN. Yes.

Mr. LEVEY. We have engaged very intensively with the UAE. They take the implementation of 1929 very seriously. They take very seriously their desire not to be abused by Iranian illicit conduct. And so, that seriousness of purpose has been reflected, I think, in recent months in their actions, as well.

Chairman BERMAN. The time——

Mr. KLEIN. Can I just make one last comment—it is not a question, but just—as it relates to this? It is my closing comment.

It relates to—the anticipation of what happened with the sanctions coming online I think were very indicative of a process. We are now in the enforcements stage, and, again, we all feel very strongly about that. But you heard from some of the members

about the notion of layers of additional things that can come down the road.

Now, we all know time is of the essence, and we want to continue that process. But to the extent that ideas can continue to come forward from the experts about additional things that we can and should be doing, even in the form of "these are the next steps we will continue to take," I think they will continue to build layers of enforcement and message that are very, very substantively important at getting the possibility of change of behavior.

Thank you.

Chairman BERMAN. The time of the gentleman has expired.

The gentlelady from California, Ambassador Watson, is recognized.

Ms. WATSON. Thank you so much. And I am very conscious——

[Audio difficulties.]

Chairman BERMAN. I just want to say—oh, boy.

Ms. WATSON. I think my mike has just—is it on?

Chairman BERMAN. Yes. We know you have to leave soon, and——

Ms. WATSON. As time grows short in many ways, I want to get to a bottom line. We have talked about sanctions. We have worked with the EU and the surrounding countries of Iran. This is really going to Ambassador Burns.

You see Ahmadinejad—and I have been told by a panel of British parliamentarians, who were able to go into the back door of Iran, that the people in the streets don't necessarily go along with the ideology of Ahmadinejad.

Do you think that we can converge on the current leadership of Iran to sit down and negotiate with us about the sanctions, about nuclear power and so on? Are we at that point?

And is there a separation of the top leaders, the ones that are speaking, and the common people in the street? I remember Iran in other decades, and we have a very—the czar came here, if you remember. And we had a very good working relationship with the Carter administration.

What do you project in the very near future in terms of the ideology that comes from Ahmadinejad?

[Audio difficulties.]

Mr. BURNS. Ambassador Watson, can you hear me? No, sorry.

Chairman BERMAN. Just speak as loud us you can.

Mr. BURNS. Can you hear me?

Ms. WATSON. I can hear you.

Mr. BURNS. Two comments. First, what was made clear in the summer of 2009 and all the discontent you saw unfolding on the streets of Iran was a real disconnect between the first of many, many Iranians for connections to the outside world and for the individual rights that are so important to us and to any society in the world.

I think what the leadership has done since then is quite ruthlessly suppressed the Green Movement, but I don't think it has eliminated those concerns, that discontent, that thirst for connections to the rest of the world.

Second, with regard to the prospects for negotiations, I mean, all I can tell you is that we will approach—we and our P5-plus-1 part-

ners will approach the next set of discussions with the Iranians with real seriousness of purpose. And what we will emphasize is that there is a choice available here.

We are not taking issue with the right of Iran or any other country to a peaceful nuclear program. What is at issue here is its responsibility, like any other country in the world, to demonstrate that it is going to conduct a purely peaceful program. And because of all the mistrust that has been built up because of Iranian behavior in recent years, it is going to take time and hard work to build some confidence.

But we are going to approach this with real seriousness and with a clear focus on that choice. Because there is a path whereby Iran and its people can have access to peaceful nuclear power, just like any other country in the world. They just have to convince the international community of the seriousness of their willingness to live up to their responsibilities. And that is really what is at issue here.

Ms. WATSON. Just yesterday, several members of this committee, under the leadership of our great chair, met with Turkey—the minister from Turkey, the ambassador, et cetera. And the gist of it, to me, is that they are acting as a go-between between Iran and the countries of the West.

And I felt a little differently after hearing them, Mr. Chairman, than what we felt before we went into that meeting. I think it was explained quite clearly that they wanted to continue trade with Iran, they wanted to continue to address them in terms of being, shall I say, more cooperative in terms of the sanctions and looking at their nuclear development of uranium as something that cautions the rest of the world because we feel the irresponsibility of the leadership.

I somewhat applaud the Turks for playing that role for us. We are going to continue our discussions with them, hoping that they will have an impact.

And can you comment?

Mr. BURNS. Simply to say that, you know, whatever our technical differences with Turkey in the past, Turkey is an important partner for the United States in many, many areas. Certainly, Turkey has made very clear that its interest argues very strongly against a nuclear-armed Iran. Turkey has a border with Iran. You know, Turkey has as much at stake as anyone in that region in avoiding the instability and the risk that would come from a nuclear-armed Iran.

So we are going to continue to work with the Turks on these issues, not just on that issue but on Iraq, on Lebanon, many other areas where I think the Turks can continue to play a constructive role.

Ms. WATSON. Thank you very much.

Chairman BERMAN. The time of the gentlelady has expired.

And our last questioner is the gentlelady from Texas, Ms. Sheila Jackson Lee.

Ms. JACKSON LEE. Mr. Chairman, let me thank you very much. And, Mr. Chairman, do we believe this will be our last hearing for the month, or will there be greater opportunities?

Chairman BERMAN. Let's put it this way: It is my hope this is the last hearing.

Ms. JACKSON LEE. Well, allow me the personal privilege to thank you for your leadership——

Chairman BERMAN. Thank you.

Ms. JACKSON LEE [continuing]. And to add my appreciation for my dear friend, Ron Klein, who has been such a value to this committee.

I will follow—and thank you again—the line of questioning that some of my colleagues mentioned regarding China and the value of sanctions. One lieutenant general in the Israeli defense forces asked a question, do sanctions really work? And I would like to pose that question to you, particularly as it relates to human rights.

And we note, in particular, that we have had a series of stoning deaths that have occurred, particularly Sakineh Mohammadi Ashtiani, the verdict of death by stoning. We know that there is discrimination, religious discrimination.

So my question is, what do we in the United States expect to get out of sanctions, strong or not-so-strong?

Mr. BURNS. Well, I think, ma'am, we are aiming for the strongest possible set of measures that produces changes in behavior, certainly with regard to the nuclear issue, so that Iran chooses a path of demonstrating to the rest of the world that it wants to pursue a responsible, peaceful nuclear program, but also on issues like human rights.

And I think on human rights we will try to take full advantage of the provisions you have provided in CISADA. I think identifying individual officials who are responsible for abuses is a way to hold them accountable and demonstrate our commitment.

I think the truth is that the Iranian leadership would like nothing better than to paint opposition movements as foreign agents, and we need to be careful of that, because the Green Movement, for example, has made clear that it is a homegrown movement, and it can't afford to be seen as an instrument of anybody outside the country. So we are very mindful of that. We don't support particular opposition groups or political factions. But what we do—what we are determined to do is stand up for universal human rights.

And finally I would say, it is important for us to work to mobilize others in the international community to make those same points.

Ms. JACKSON LEE. Do you see any direct movement as a result of sanctions, any direct changes in behavior as a result of sanctions?

And let me just—as my time runs out, let me conclude with the fact that I would like to receive the same answers that Congressman Ted Poe asked for. And you might want to comment on whether or not any——

[Audio difficulties.]

Ms. JACKSON LEE. Let me just finish so you can take up the rest of my time. And thank you. Do we have any movement—a lot of my colleagues have asked about China, India, and others. Do we have any ability to impact their behavior as they seek a very nec-

essary resource, and that is the energy that they are using for their——

[Audio difficulties.]

Mr. BURNS. I think we have seen some movement, for example, on the part of India, as I mentioned to you before, as a result, as they look at not only Resolution 1929 but what other countries in the world are doing. I think you have seen an interest in diversifying their sources of energy in the world.

I think, with regard to human rights, we have from time to time seen some movement and changes in behavior when you have had a strong international chorus of concern, in particular cases. In the Third Committee in the United Nations a few weeks ago, there was by far the largest vote yet of countries condemning Iran for human-rights abuses. So the more that other countries speak out, I think the more impact it may have on concrete behavior.

Ms. JACKSON LEE. If we speak directly to the Iranian people, for example, they will listen. The world is frustrated by the inertia of the Iranian Government. Certainly we are not in support of the efforts to dismantle it in a nondemocratic manner, but there has to be some movement for this country to come into the world forum of the 21st century, meaning democracy, trade, and interaction with the other world countries. I hope the Iranian people are listening and will not accept human-rights abuses and begin to demand that Iran work with the world community.

I yield back.

Chairman BERMAN. The time of the gentlelady has expired.

And I am going to just—you won't get off quite that easy—ask one last question. In September, the Treasury Department sanctioned Iranian-owned bank EIH, incorporated in Germany, for providing financial services to Iranian WMD proliferators and facilitating transactions on behalf of other sanctioned banks.

Why has the German Government refused to take action against the bank? What are we doing to convince the German Government to close them down? And are we considering any sanctions against any entities doing businesses with EIH?

Mr. LEVEY. Mr. Chairman, you are right, we did take that action against EIH in September. We consulted in detail with our German colleagues on that action. They are looking at the evidence that we were able to share and looking into it themselves.

We do, as you know, have authorities that go beyond what most other countries have, in our ability to take action on administrative record and to rely on information that we don't have to make public. But the Germans have been good partners on this, and they are looking at this seriously.

The answer to your final question, though, is answered by the effect of CISADA, which is, now that we have designated EIH—which, for those who are not familiar with it, was a very big financial facilitator for Iran in Europe and was one of the main ways in which they were accessing euro transactions—but now that we have designated EIH for its involvement in Iran's proliferation program, any bank that does substantial business or engages in substantial transactions with EIH puts at risk their access to the United States financial system. And we will take that provision very seriously and enforce it as appropriate.

Chairman BERMAN. Well, thank you.

And thank you both very much for coming here. I know how busy you are. I know how much is coming up even on this subject in the near future. We appreciate you very much taking the time to come to us. And also, for what is really—I mean, so much of it is quiet. Some of it is government-to-government. And the time you are spending on this—I think the other aspect of WikiLeaks, as terrible and deplorable as that was, is it demonstrates that this administration's commitment to this issue is intense, sincere, enduring, and hopefully, at the end of the day, successful.

Thank you.

[Whereupon, at 12:13 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Howard L. Berman (D-CA), Chairman

November 23, 2010

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov)**:

DATE: Wednesday, December 1, 2010

TIME: 9:30 a.m.

SUBJECT: Implementing Tougher Sanctions on Iran: A Progress Report

WITNESSES: The Honorable William J. Burns
Under Secretary for Political Affairs
U.S. Department of State

The Honorable Stuart A. Levey
Under Secretary for Terrorism and Financial Intelligence
U.S. Department of Treasury

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Wednesday* Date *December 1, 2010* Room *2172 RHOB*

Starting Time *9:33 A.M.* Ending Time *12:12 P.M.*

Recesses [-] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Howard L. Berman (D-CA); Chairman

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Implementing Tougher Sanctions on Iran: A Progress Report

COMMITTEE MEMBERS PRESENT:

Howard L. Berman, Ileana Ros-Lehtinen, Gary Ackerman, Christopher H. Smith, Eni F.H. Faleomavaega, Elton Gallegly, Donald Payne, Dana Rohrabacher, Brad Sherman, Donald Manzullo, William D. Delahunt, Edward R. Royce, Diane E. Watson, Jeff Flake, Gerald E. Connolly, Joe Wilson, Michael E. McMahon, John Boozman, Theodore E. Deutch, Connie Mack, Gene Green, Jeff Fortenberry, Lynn C. Woolsey, Ted Poe, Sheila Jackson Lee, Bob Inglis, Barbara Lee, Shelley Berkley, Joseph Crowley, Brad Miller, David Scott, Jim Costa, Gabrielle Giffords, Ron Klein

NON-COMMITTEE MEMBERS PRESENT:

N/A

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

N/A

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:12 P.M.*

Doug Campbell

Doug Campbell, Deputy Staff Director

December 1, 2010

OPENING STATEMENT
CONGRESSMAN DAN BURTON
FULL COMMITTEE ON FOREIGN AFFAIRS
"IMPLEMENTING TOUGHER SANCTIONS ON IRAN: A PROGRESS REPORT"

Mr. Chairman and Ranking Member Ros-Lehtinen thank you for convening today's hearing examining the implementation of Iran sanctions.

To date, the Iranian regime has shown no signs that it plans to halt its nuclear program, as it continues to march toward offensive nuclear capability. Thankfully, there are some reports that measures recently passed within the "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010," H.R. 2194 are encouraging companies to divest from Iran before these measures even take place. However, in order to be successful in our endeavor, we must ensure that the Obama Administration is held accountable for sanctioning any and every company that would attempt to violate the sanctions act going forward.

We have spent 14 years, since the original Iran Sanctions Act was passed, attempting to deter this pursuit of weapons by employing any number of diplomatic efforts and have been ineffective. Now, these new sanctions and the Obama Administration are going to be put to the test. This bill gives the President the power to impose sanctions on any person who has knowingly made an investment of $20 million or more that directly and significantly contributed to Iran's ability to develop its petroleum resources. Yet, as history has taught us, these sanctions will only be successful to the degree that they are enforced.

While it is true that this new sanctions law provides the Obama Administration with greater authority to sanction than what is written in underlying law, it allows enough waiver authority to render the legislation a paper tiger. History has demonstrated that the greatest impediment to a successful Iran sanctions policy has not been the lack of authority to sanction but the refusal of previous Administrations to apply sanctions which were already in place. It is my hope that this Administration can see the writing on the wall and understand that we can no longer afford to delay in implementing tough sanctions.

There is no good reason for President Obama to hold back. The unfortunate recent release of thousands of U.S. documents has revealed that governments throughout the Middle East fear a nuclear Iran and have expressed a desire for the United States to employ any and every means necessary to stop this from becoming a reality. The Guardian reported that cables showed King Abdullah of Saudi Arabia repeatedly urging the United States to attack Iran to destroy its nuclear program. The newspaper also said officials in Jordan and Bahrain have openly called for Iran's nuclear program to be stopped by any means and

that leaders of Saudi Arabia, the United Arab Emirates and Egypt referred to Iran "as 'evil,' an 'existential threat' and a power that 'is going to take us to war."

The New York Times reported that Wikileaks revealed that in May of 2009, Ehud Barak of Israel expressed that we would only have a short window of six to eighteen months before they would obtain a weapon. We are nearing the end of that time and the Iranians are closer than ever.

According to the International Atomic Energy Agency (IAEA)'s November report, Iran has been producing uranium at 20 percent enrichment, from which it is fairly easy to produce weapons grade fuel. Since February, the regime has produced 33 kg of uranium at this level. Further, Iran has produced enough low-enriched uranium which, if further enriched to weapons grade, is enough to produce two nuclear bombs. These estimates do not include uranium at any covert facilities, the likes of which we have discovered in the past.

For the remainder of the 111th Congress and into the 112th, we must be staunchly committed to ensuring the enforcement of the "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010." We have an important role to play in ensuring that President Obama follows through on his commitment he articulated in a speech on March 2, 2007, where he called for "full implementation of U.S. sanctions laws." I hope that our witnesses can answer all of our questions regarding specific companies in detail, if not today then in further, timely correspondence.

Again, thank you Mr. Chairman. I look forward to hearing from our panel of witnesses.

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

Hearing on
Implementing Tougher Sanctions on Iran: A Progress Report
Wednesday, December 1, 2010, 9:30 a.m.
2172 Rayburn House Office Building

I would like to thank Chairman Berman and Ranking Member Ros-Lehtinen for holding this hearing on implementation of U.S. sanction on Iran. I appreciate your attention to this matter which is vital to our national security and profoundly impacts the balance of power in the Middle East.

The Iranian government's active pursuit of a nuclear weapons program poses and an undeniable threat to the United States and our interests, regionally and globally. Reports of the International Atomic Energy Association have consistently shown Iran's noncompliance with its NPT obligations, its IAEA safeguards agreement, and its persistent failure to suspend uranium enrichment activities. Iran's nuclear ambitions, coupled with its support for Hezbollah, Hamas, and other terrorist groups, are clear indicators of the Iranian regime's irresponsible and predatory agenda.

In the face of violent suppression, the Iranian people have called for change to Iran's brutal and disruptive policies. Despite such loud cries for reform among the population, the Iranian government maintains its hard-line approach. With overwhelming bipartisan support for tougher sanctions, the U.S. has sent a clear message to the regime that we stand with the Iranian people in opposition to the government's human rights abuses, the threats its policies pose throughout the region, and its nuclear weapons program.

I commend this Congress and the Administration for the enactment and subsequent implementation of the most rigorous sanctions on Iran, the Comprehensive Iran Sanctions, Accountability, and Divestment Act, or CISADA. This law not only sends a clear message to the Iranian regime that further development of its nuclear weapons program will not continue without consequence, but moreover, it marks the highest commitment any Administration has placed on fully implementing and enforcing sanctions.

Not only has the Administration rightfully committed to deterring Iran's enrichment program, but it has placed high priority on doing so multilaterally. With the passage of UNSC Resolution 1929, as well as sanctions laws in the EU, Canada, Japan, South Korea, Australia, and Norway, we have come further than ever before in achieving unity among our international partners regarding our policy toward Iran. I would like to hear more today about how the United States plans to further leverage multilateral support. Accordingly, I hope the upcoming P5+1 meeting with Iran will produce a meaningful way forward in addressing Iranian nuclear ambition.

The enactment of tougher sanctions has already resulted in widespread divestment in Iran's energy sector, which provides about 80% of government revenues. Analysis also indicates the sanctions have begun to take a toll on the Iranian economy with, for example, the Iranian *rial* falling by about 15%. As we apply escalating pressure and continue to monitor the economic and political effects of sanctions in Iran, we must exercise a measured level of patience in allowing their full impact to come to fruition. With stakes this high, we cannot afford to hastily draw conclusions about the strategic success of economic sanctions, nor can we afford to underestimate the value of continued diplomatic unity to isolate the Iranian regime. I look forward to hearing from our witnesses today their candid assessments of sanctions implementation, their evaluations of impact thus far, and their determinations of realistic options moving forward.

In closing, I'd like to thank the panelists for their testimonies and presence here today. I am confident that your answers and opinions will further our understanding of the most effective approaches to U.S. policy towards Iran.

Opening Statement for Congressman Joe Wilson (SC-02)

Iran Sanctions

House Committee on Foreign Affairs
December 1, 2010

Mr. Chairman, thank you for calling this important hearing regarding Iran Sanctions today. I think everyone in this room agrees that Iran is a threat to world stability that must be taken seriously. Iran is a great nation of great people hijacked by extremist thugs.

Iran is a nation set on becoming a nuclear power. The Country continues to progress at advanced pace towards full nuclear weapons capabilities, which is in direct violation of multiple United Nations Security Council Resolutions. Also disturbing is a recent report (Nov. 2010) by the International Atomic Energy Agency (IAEA), stating Iran has produced low-enriched uranium. This uranium, all indication is that Iran intends to further enrich, has as its goal a weapons-grade fuel. Intelligence estimates that this amount of uranium would be enough for at least two nuclear bombs. I have said on multiple occasions that Iran's ability to fully create a nuclear weapon would be sooner than what many intelligence resources thought.

For this reason, this Committee passed, and later the full House and Senate with President Obama signing the measure into law, the "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA)." Like most here, I saw the need to implement such a mechanism to neutralize the threat emanating from Iran by cutting off their ability to fund such projects. Under your leadership, Mr. Chairman, and the Ranking Member's, the House language was straightforward. However, the Act would only be useful if implemented to the fullest extent by President Obama. So far the assessment of the Administration's handling of CISADA has been varied. The Administration must be held accountable for any divergence from implementation of the law.

Given Iran's advanced missile technology with the ability to strike Europe according to recent news reports coupled with their aggressive nuclear program at present time, the international community must not continue to appease Iran. If we have not learned from past history, Iran will say anything while at the "negotiating" table all the while continuing to be defiant. We must counter such a real threat with the best possible technology—a missile defense system.

Everyone remembers the Iranian president's harsh words that Israel, implied in this statement are all of those countries allied with Israel, as a "blot" that must be "wiped off the face of the earth." A missile defense system not only protects the Middle East and Europe, especially on extraordinary partners of Greece, Bulgaria, Romania, and Ukraine, but the U.S. given the advancing distance of Iran's own missile technology which could strike North America in less than five years. We must work with our European partners to implement a missile defense system now.

True change can only come from dedicated patriots within Iran. I stand with the brave people of Iran who desire a society built on freedom and democracy.

Again, thank you Mr. Chairman for calling this hearing and I am eager to hear the testimony of our witnesses.

December 1, 2010

Congressman Ted Deutch: Opening Statement
Thank you Chairman Berman and Ranking Member Ros-Lehtinen for holding the vitally important hearing. Thank you Under Secretary Levey and Under Secretary Burns for appearing today.

It has been 4 months since the President signed the Comprehensive Iran Sanctions, Accountability and Divestment Act, giving the U.S. its most robust sanctions regime to date, and though we have made great strides in tightening the economic noose around Iran, we must not become complacent when it comes to full and forceful implementation.

The Treasury Department, led by Under Secretary Stuart Levey, has made significant strides in cutting off Iranian access to the international banking system. This has caused clear economic strain on the regime and obvious cracks in foundation of Ahmadinejad's support. But now is the time for the United States to utilize all economic tools at our disposal and to continue to pressure those across the globe who refuse to comply with international sanctions.

While we have known for quite some time that the greatest threat to international security particularly to our greatest ally Israel is the Iranian's illicit quest for nuclear weapons, recent developments have highlighted and reinforced the immediacy of halting any further development of a nuclear program in Iran. The revelation that Iran may have received 20 long range missiles from North Korea- missiles easily capable of reaching Israel and possibly other western targets- coupled with the recent disclosures of concern from neighboring Arab states, have reignited an international call to action.

I look forward to hearing from Mr. Levey and Mr. Burns and to continuing to look for ways to strengthen our existing sanctions policy and

Statement of Congressman Gene Green
"Implementing Tougher Sanctions on Iran"
House Committee on Foreign Affairs
December 1, 2010

Thank you, Mr. Chairman, for holding this hearing today.

I would like to welcome Under Secretary Burns and Under Secretary Levey for joining us this morning.

I am pleased to read from recent reports that sanctions, in particular the Comprehensive Iran Sanctions, Accountability, and Divestment Act or CISADA, are having a negative effect on the Iranian economy, in particularly to Iran's energy sector, as intended.

I am also glad to learn that after the adoption of CISADA and U.N. Security Council Resolution 1929, many responsible members of the international community, including the European Union, Japan and South Korea, have adopted measures similar to our own.

I hope other members of the world community, in particularly China, Russia and Turkey, follow their example and put the stability and security of this important region ahead of temporary economic gains to be made by trading and investing with Iran.

I would like to learn what the State and Treasury Departments are doing to impress upon nations, like China and Turkey, of the importance of the sanctions and the frightful prospect to the entire global community if Iran got the bomb.

What concerns me the most, and which I hope to hear during this hearing, is that U.S. and U.N. sanctions are causing a demonstrable shift in Iran's commitment to its nuclear program.

From what I have heard and read to this point, the answer seems to be "maybe."

"Maybe" is not an acceptable answer. I fear what may happen if the present regime in Tehran develops nuclear weapons.

I am also interested in hearing what insights Ambassador Burns can share concerning the diplomatic cables made public by Wikileaks and how they may affect relations with our Middle East partners, in particular comments attributed to King Abdullah of Saudi Arabia.

Thank you again, Mr. Chairman, and I yield back.

QUESTIONS FOR UNDER SECRETARY BURNS
THE HONORABLE RUSS CARNAHAN (MO-03)
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

Hearing on
Implementing Tougher Sanctions on Iran: A Progress Report
Wednesday, December 1, 2010, 9:30 a.m.
2172 Rayburn House Office Building

Questions for Under Secretary of State William J. Burns

Responses were not available at the time of printing for the following questions:

- Under Secretary Burns, I commend this Administration for the priority it has placed on deterring Iran's nuclear weapons program, and more specifically, the multilateral approach it has taken on sanctions. With the passage of UNSC Resolution 1929, as well as sanctions laws in the EU, Canada, Japan, South Korea, Australia, and Norway, we have seen the success in the Administration's diplomatic strategy to achieve unity among our international partners in sanctions implementation. Please give your analysis of what diplomatic tactics were most effective in achieving these positive results. Broadly speaking, what are the lessons learned for future diplomatic negotiations, especially with the UN? Specifically with respect to the Iranian regime, what opportunities do you see for us to further leverage support among the international community in new ways?

- Under Secretary Burns, please comment on the status of the measures included in CISADA to sanction human rights abusers in Iran. What is your assessment of the effectiveness of sanctions on human rights abuses and the extent to which such sanctions serve to enhance pressure on Iranian leadership to stop its nuclear weapons program? What are other viable options for the United States to help protect human rights in Iran?

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