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PREVENTING A NUCLEAR IRAN

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PREVENTING A NUCLEAR IRAN

WEDNESDAY, MAY 15, 2013

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

The committee met, pursuant to notice, at 1:19 p.m., in room 2172, Rayburn House Office Building, Hon. Ed Royce (chairman of the committee) presiding.

Chairman ROYCE. This committee will come to order. Today we are here to discuss Iran's growing nuclear threat as well as U.S. and allied efforts to stop it. For this committee there is no higher priority.

The committee last heard from Under Secretary Sherman and Under Secretary Cohen in October 2011. We welcome them back. Since that time, thanks to the bipartisan work of this committee, several sanctions aimed at Tehran's financial lifeline have been implemented, many of them over the objections of the administration. But Iran has seen its oil revenue drop by 40 percent. Official inflation has climbed to 30 percent, with unofficial estimates being twice as high. So well done, but not enough.

In the year and a half since our witnesses last appeared, the International Atomic Energy Agency tells us that the total installed centrifuges at the facilities at Natanz and Fordow have increased from 8,500 to more than 15,700. That is an 85 percent increase since the last hearing. Some of these centrifuges are more advanced, perhaps five times as powerful as earlier models. A key facility is buried deep under the mountain.

Iran continues to stonewall the IAEA on its development of nuclear explosive devices. It does not take a physicist to comprehend Iran's intentions, developing a nuclear arsenal.

I am convinced that Iran will continue on this path until the sanctions bite so bad that the regime must relent or face upheaval. That is where we need to get.

Meanwhile, Iran works to undermine governments in the region and around the globe. Iran's support is keeping the brutal Assad regime afloat. It has resupplied Hezbollah with at least 25,000 new rockets, and I saw the impact of some of those rockets in Haifa in 2006 when they were raining down on the city, targeting the trauma hospital, targeting civilian sectors of that city.

In recent years there have been Iranian-sponsored attacks on plots in Bulgaria, India, Thailand, Georgia, Azerbaijan, Cyprus, Kenya, and one here in Washington, DC, as well, and I would hate to see an Iran emboldened by nuclear weapons.

There are also real concerns about Iran's interaction with North Korea, because earlier this year the committee heard testimony that Iran and North Korea had signed a scientific cooperation agreement, the same type of agreement that North Korea had signed with Syria before building their reactor, the reactor that was destroyed by Israel.

But it is not just the sharing of missile and nuclear technology that has us concerned. It is the sharing of a diplomatic playbook. Even the head of the United Nations has recognized that Iran, like North Korea, will use talks as a cover to build a bomb.

From day one the Obama administration has reached out to the Iranian regime. Unfortunately, that hand has been met with more centrifuges, more missiles, and more stonewalling. We don't yet seem to realize that this regime, which beats and imprisons its own people, is determined to keep its nuclear program.

So I am convinced, as are 325 of my colleagues, that only when the Iranian leadership truly feels a choice between maintaining power and the bomb does our diplomacy have a chance to succeed. That is why Ranking Member Engel and I have introduced H.R. 850, The Nuclear Iran Prevention Act, to continue to turn up the economic and political heat on the regime. We look forward to moving this legislation out of committee next week.

It is cliché to say the clock is ticking. I just hope we are able to act before the clock stops ticking.

I will now turn to Ranking Member Engel for his opening remarks.

Mr. ENGEL. Mr. Chairman, thank you for calling this very timely hearing on our strategy to deny Iran a nuclear weapons capability. I know both our witnesses, and I am impressed by their work and their credentials, so I would like to thank both of you for appearing today and for your hard work on this very, very important issue.

I believe that ending the Iranian nuclear weapons program is the greatest national security challenge facing our Nation. A nuclear-armed Iran or one with a perceived nuclear weapons capability would gravely undermine the foundations of the nuclear nonproliferation regime and the peace, security and stability of the entire Middle East. And since the Iranian leadership has threatened to destroy the State of Israel, the dangers from this nuclear scheme are of the highest order.

Over the last several years this committee has been at the forefront of efforts to enact the strongest sanctions ever levied against Iran's nuclear program. I continue to hope that we can achieve a peaceful resolution of the Iranian nuclear crisis, and these sanctions are a critical and indispensable element of our two-track diplomatic strategy, pressure and negotiations.

Secretary Sherman, in early April you represented the United States at the latest round of P5+1 negotiations with Iran in Almaty, Kazakhstan. At that meeting Iran rejected yet another offer from the P5+1 in which some international sanctions would reportedly be lifted in return for Iran suspending some of its most sensitive uranium-enrichment work. And once again we walked away from negotiations virtually empty-handed.

Let us face it, it wasn't our willingness to talk that brought Iran to the negotiating table. The Iranian regime will only respond to

pressure. And I don't think they will ever negotiate in good faith unless we continue to ratchet up the pressure, and we will do that when the committee marks up the bipartisan Nuclear Iran Prevention Act next Wednesday. I am pleased and honored to work on that with our chairman, Chairman Royce, and we do it with one mind. There is no difference between the two of us on this very important issue of Iran and nuclear weapons.

We must act with a sense of urgency. While the regime feigns sincerity on negotiations for the international press, they continue to move full speed ahead with their nuclear weapons program. According to the IAEA, Iran is installing advanced centrifuges faster than expected, dramatically increasing the pace of uranium enrichment. There has been no progress on the IAEA's effort to resolve outstanding questions about the nuclear program's military dimensions, and Iran has still not allowed IAEA inspectors access to Parchin, where the regime is almost certainly concealing illicit nuclear activities from the international community.

So, with another failed round of negotiations in our rear-view mirror, and with this information from the IAEA in mind, I look forward to hearing from our witnesses on what exactly is the administration's strategy to end Iran's nuclear weapons program. I would also like to hear our witnesses discuss what tools they have at their disposal to increase pressure on the Iranian regime, but have yet to utilize.

Finally, my most sensitive question: I am convinced that President Obama is serious when he says Iran will not develop a nuclear weapon on his watch, but I believe that Congress must know the following: When will the administration be forced to abandon the diplomatic option? Secretary Kerry says we cannot let the talks become an interminable process. At what point should they be terminated if no progress is made?

I want to make something clear to Iran: Your nuclear weapons program is not necessary, nor will it succeed. The United States will not allow this to happen. Congress will continue to insist on a full and sustained suspension of enrichments. On this we have bipartisan and strong support. We will demand clarity on the military dimensions of Iran's nuclear program, and we will insist that the IAEA have complete access to do its job.

If rapid progress is not made in all of these areas, we will continue to press forward with even stronger sanctions. Again, that is what the chairman and I are trying to do, and we have over 300 cosponsors to our bill.

I am eager to hear how our witnesses assess the effectiveness of our current sanctions, and, most importantly, I look forward to hearing about the administration's strategy to end Iran's nuclear weapons program once and for all.

Thank you, Mr. Chairman.

Chairman ROYCE. Thank you, Mr. Engel.

We will now go to Ms. Ros-Lehtinen, chairman of the Middle East subcommittee, for 1 minute, and followed by Mr. Deutch, ranking member of that subcommittee.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and thank you for the witnesses as well.

Iran continues to pose one of the greatest threats not only to U.S. national security, but also to global peace and security. Tehran continues to provide financial, material and logistical support for terrorist groups like Hezbollah, who undermine our interest in Syria. It remains an ally of Assad, the murderous thug in Syria, arming the regime, and sending its own Quds Force soldiers to fight alongside Assad's troops.

Negotiations have been useless. Iran refuses to honor its international obligations related to its ballistic missile and nuclear programs, and yet we continue down this road. Iranian authorities deny access to those investigating the terrible human rights violations that are rampant in the country.

We have got to learn from the mistakes of the past so that we don't keep making them, and I am interested in hearing from Mr. Cohen about the actions that his agency has taken to discourage Iran from using Venezuela and other areas to circumvent U.S. sanctions.

Thank you, Mr. Chairman.

Chairman ROYCE. Thank you, Ms. Ros-Lehtinen.

Mr. Deutch.

Mr. DEUTCH. Thank you, Mr. Chairman. Thanks to you and Ranking Member Engel for calling this hearing today.

Secretaries Sherman and Cohen, we greatly appreciate your being here with us today, though it seems, frankly, that we have been here before discussing the efficacy of U.S. sanctions and the status of Iran's quest for nuclear weapons.

I want to commend each of you for the work that you have done and the undeniable effect that sanctions have had on Iran's economy. Iran is virtually isolated from the international financial markets. Its oil exports have been halved. But where are we now?

The only bar for success, the ultimate judge of success of sanctions is Iran ending its nuclear weapons program, and thus far we are no closer to stopping Iran's brutal human rights abuses, its support for Assad's heinous crimes in Syria, or preventing Iran's sponsorship of terror around the world.

This unfortunately leaves many to wonder how our policy of sanctions and diplomacy ultimately can work. There are discussions that diplomacy with Iran must be on hold until after Iran's elections in June. Well, what happens for the next 6 weeks, and how long can we afford to wait as Iran continues to install centrifuges increase its enriched uranium stockpile?

I look forward to your insights into the coming weeks and months and the discussion we will have today. Thanks for being here.

Thank you, Mr. Chairman.

Chairman ROYCE. Thank you, Mr. Deutch.

We will now go to Mr. Sherman, ranking member of the Terrorism, Nonproliferation, and Trade Subcommittee.

Mr. SHERMAN OF CALIFORNIA. Since the late 1990s, I have been calling for the toughest sanctions on Iran. Various administrations have disagreed. Often this House has passed tough bills, only to see them die or get watered down in the Senate. The administration has sanctioned 23 Iranian banks, but has failed to sanction the rest.

Those who say soft sanctions will cause Iran to abandon its nuclear program cannot explain the first decade of this century during which we had soft sanctions and fast centrifuges. This committee will be taking up the Nuclear Iran Prevention Act, which I have joined with many others in introducing, especially our chairman and ranking member, and we need to make that bill as tough as possible, and let us go into conference with the Senate with the strongest possible bill.

Let us say that in order to have a contract with the U.S. Government, you must certify on behalf of all of the corporate group that you sell nothing to Iran except agricultural and medical products, and let us include in whatever bill we send to the floor and the Senate the strongest possible sanctions.

Thank you, Mr. Chairman and Ranking Member.

Chairman ROYCE. Thank you, Mr. Sherman.

This afternoon we are joined by senior representatives from the State and Treasury Departments. Under Secretary Sherman has held numerous positions at the State Department, including Counselor for the Department and Assistant Secretary for Legislative Affairs.

Under Secretary Cohen's career at the Treasury Department has been focused on fighting money laundering and financing of terrorism. Prior to his Senate confirmation in 2011, he served as Assistant Secretary for Terrorist Financing.

Welcome again to both of you. Without objection, the witnesses' full prepared statements will be made part of the record. Members are going to have 5 legislative days to submit statements or questions or any extraneous materials for the record.

We again would ask that you summarize your statements to 5 minutes, and we will begin with Ambassador Sherman.

STATEMENT OF THE HONORABLE WENDY R. SHERMAN, UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador SHERMAN. Thank you very much, Mr. Chairman, Ranking Member Engel, and Members of Congress and of this committee. Good afternoon, and thank you for the invitation to testify about one of our top foreign policy and national security priorities, Iran.

Iran's leaders want the world to think of their country as a legitimate power and a regional leader, yet the costly and destructive decisions the regime is making day after day undermine Iran as a credible player on the world stage. What is more, Iran's policies, from its nuclear weapons ambitions to its destabilizing regional activities to its abysmal record on human rights create a range of challenges to the United States and to every country committed to peace and stability.

The Obama administration takes every single one of these challenges seriously. We know that our success depends on effective collaboration here in Washington and with our allies and partners around the world.

We are pursuing a number of avenues to deal with Iran: Resolutions and other actions at the United States, the Human Rights Council, the IAEA and other multilateral organizations; wide-rang-

ing and deep sanctions, ensuring we have the appropriate force posture; leveraging bilateral relationships to raise a red flag when Iran seeks to open a new Embassy, and engaging the Iranian people through virtual diplomacy. Every day every bureau in the Department of State and virtually every department in the U.S. Government has their eye and their actions on Iran.

We are making clear that Iran's international legitimacy and the end of their isolation depends on the choice Iran's leaders are facing right now: Change course or continue to pay the cost of intransigence. Indeed, we meet here today on the day that High Representative Ashton is having dinner with Dr. Jalili of Iran, now a Presidential candidate, to push hard on the basis on which negotiations might go forward. We meet on the day that the IAEA is meeting with Iran in Vienna to press again in advance of the June Board of Governors meeting. And we meet on a day when the U.N. General Assembly is debating Syria and Iran's role in it.

I would like to discuss a few details about the administration's policy toward Iran. I will begin with the nuclear program. From the start of this administration, President Obama has been clear the United States will not allow a nuclear-armed Iran. He has also been clear that Iran's leaders have a choice: Live up to their international obligations, or continue down the path toward isolation.

As Iran's leaders have continued to defy international consensus, we have put in place a dual-track policy of ratcheting up pressure in the form of sanctions and other measures while pursuing a diplomatic solution.

The sanctions, as many of you have said, have hit the Iranian economy hard. Iran's crude exports have plummeted, costing $3 billion to $5 billion per month to Iran. The rial has depreciated more than 50 percent over the past few months, and official inflation is at 32.2 percent, although informal estimates are significantly higher. Even with sanctions in place, we are making sure that humanitarian trade continues so that the Iranian people aren't facing impossible hardship.

At the same time, we and our P5+1 partners are pushing for a diplomatic solution. We have offered Iran the opportunity to reduce tensions and move toward a negotiated solution. Unfortunately, so far the Iranians have fallen far short with their response. As I mentioned, a meeting is happening probably as we are meeting to see whether Iran is really ready to put substance on the table.

We are clear-eyed in our approach to the P5+1 talks and seek concrete results. After all, while the window for negotiation is still open, it will not remain so forever. We will give diplomacy every chance to succeed because it is the only way to maintain international support for whatever options we must take, but it cannot go on forever, and ultimately the onus is on Iran.

Beyond Iran's nuclear ambitions, we are also concerned about their destabilizing influence across the entire Middle East and beyond, support to the Assad regime and sustaining the campaign of violence against the Syrian people. Their aid to terrorist organizations is threatening our ally, Israel, and innocent civilians worldwide. That is why we are deepening our military partnerships across the region, particularly with Israel in the gulf, to defend against attacks from the very groups supported by Iran's leaders.

I know I am running out of time, so I am going to talk fast—faster.

I want to reiterate our commitment to seeing the safe return of Robert Levinson, Saeed Abedini and Amir Hekmati, American citizens missing or detained in Iran. Today and every day in this country families are wondering where their loved ones are, whether they are safe, and when they might come home. We are not going to back down until those Americans are home safe and sound.

We are, of course, deeply concerned about the campaign of repression Iran's rulers are waging against their own people: Abuse of those who speak out against their government and harassment of their families; students, lawyers, journalists and bloggers facing endless intimidation, discrimination and incarceration.

Over 5,000 years Persian civilization has given the world innovations in culture, art, medicine and government, but today that historic greatness has been set far, far back. Iranians are owed the rights, freedom and dignity that we cherish here as the bedrocks of our Nation and all people around the world deserve.

I will finish by saying that we are closely watching the upcoming election. Four years ago the Iranian people spoke out for human rights, basic dignity and greater opportunity. The regime responded by shooting demonstrators in the streets and frightening families in their homes. And today Iran's Guardian Council, unelected and unaccountable, is sorting through Presidential contenders, eliminating hundreds of candidates. We take no sides in the election, but we know that the desires and aspirations of the Iranian people must start with free, fair and transparent elections.

We are clear-eyed about the challenges that lie ahead dealing with the Iranian regime. Congress and this administration have stood side by side in dealing with this threat to our security and to global security. I am confident we can continue to work together on this critical concern.

Thank you.

Chairman ROYCE. Thank you, Ambassador Sherman.

[The prepared statement of Ambassador Sherman follows:]

WRITTEN STATEMENT
WENDY SHERMAN
UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS
U.S. DEPARTMENT OF STATE

House Committee on Foreign Affairs
"Preventing a Nuclear Iran"
May 15, 2013

Chairman Royce, Ranking Member Engel, distinguished Members of the Committee: Thank you for inviting me here today to discuss the Administration's approach to the multiple challenges posed by Iran – by its nuclear ambitions, its support for international terrorism and destabilizing activities in the region, and its human rights abuses at home. I want to use this opportunity to speak clearly about these challenges; to lay out the multi-vectored strategy we are pursuing to counter them; and to be clear about the consequential choices ahead for America and our allies, but especially for Iran, its rulers, and its people.

The Nuclear Challenge

Iran's nuclear activity – in violation of its international obligations and in defiance of the international community – is one of the greatest global concerns we face. A nuclear-armed Iran would pose a threat to the region, to the world, and to the future of the global nuclear proliferation regime. It would risk an arms race in a region already rife with violence and conflict. A nuclear weapon would embolden a regime that already spreads instability through its proxies and threatens chokepoints in the global economy. It would put the world's most dangerous weapons into the hands of leaders who speak openly about wiping one of our closest allies, the state of Israel, off the map. In confronting this challenge, our policy has been clear: we are determined to prevent Iran from acquiring a nuclear weapon. Our preference is to resolve this through diplomacy. However, as President Obama has stated unequivocally, we will not allow Iran to obtain a nuclear weapon, and there should be no doubt that the United States will use all elements of American power to achieve that objective.

Iran's Supreme Leader Ayatollah Khamenei has asked why it is that the international community does not believe that Iran's nuclear program is for peaceful purposes only. The answer is simple: Iran has consistently concealed its nuclear activities and continues to do so, denying required access and information

to the International Atomic Energy Agency. As a signatory to the Nuclear Non-Proliferation Treaty, Iran has responsibilities to the international community, and it is that blatant disregard for those responsibilities that has made Iran the subject of four UN Security Council resolutions imposing mandatory sanctions.

From his very first months in office, President Obama put forward a clear choice to the Iranian government: Meet your international responsibilities on your nuclear program and reap the benefits of being a full member of the international community, or face the prospect of further pressure and isolation. Unfortunately Iran has so far chosen isolation. There is still time for it to change course, but that time is not indefinite. I want to be clear that our policy is not aimed at regime change, but rather at changing the regime's behavior.

The Dual-Track Policy

Since this Administration took office in 2009, we have pursued a dual-track policy. Working with the P5+1 – the five members of the UN Security Council – China, France, Russia, the United Kingdom, and the United States, plus Germany, under the auspices of the European Union – we have actively pursued a diplomatic solution to international concerns over Iran's nuclear program. As a result of Iran's continuing disregard for its international obligations, we have ratcheted up the pressure on the Iranian government. We have built and led a global coalition to create the toughest, most comprehensive sanctions to date on the Iranian regime. The international community is united in its determination to prevent a nuclear-armed Iran.

Today, Iran is isolated and sanctions are having a real impact on the ground, exacerbated by the regime's own mismanagement of its economy. Iran exports over 1 million fewer barrels of crude oil each day than it did in 2011, costing Iran between $3-$5 billion per month. All 20 importers of Iranian oil have either significantly reduced or eliminated oil purchases from Iran. Financial sanctions have crippled Iran's access to the international financial system and fueled the depreciation of the value of Iran's currency to less than half of what it was last year. Foreign direct investment into Iran has decreased dramatically as major oil companies and international firms as diverse as Ernst & Young, Daimler AG, Caterpillar, ENI, Total, and hundreds more have divested themselves from Iran. The International Monetary Fund projects the Iranian economy will contract in 2013, a significant decrease from the over 7 percent growth six years ago, and far below the performance of neighboring oil-exporting countries. Put simply, the Iranian economy is in a downward spiral, with no prospect for near-term relief.

And we continue to increase the pressure. Iranian oil exports will continue to decline as we implement the law through our engagement with the last remaining six importers of Iranian oil. Iran's currency will remain volatile as we block Iran's revenue streams and block its access to funds held abroad. And we will continue to track, identify, and designate individuals and entities assisting Iran's proliferation efforts and attempting to evade sanctions on Iran. Last week, the State Department sanctioned four Iranian companies and one individual for providing the Iranian government with goods, technology, and services that increase Iran's ability to enrich uranium, which is prohibited by UN Security Council resolutions. On March 14, the State and Treasury Departments imposed sanctions on Dr. Dimitris Cambis and his company Impire Shipping for operating vessels on behalf of the National Iranian Tanker Company (NITC) that disguised the Iranian origin of the crude oil. On July 1, the Iran Freedom and Counter-Proliferation Act of 2012 takes full effect, targeting an array of sectors and industries in Iran. Looking forward, as long as Iran continues on its current unproductive path, the Administration will continue to assess and implement potential additional sanctions on sectors and industries that can serve as pressure points. We look forward to continued strong collaboration with members of Congress to develop smart sanctions and increase pressure on the regime, while maintaining the strong coalition we have built through sustained diplomatic efforts with partners.

In fact, one of the keys to our successful ratcheting up of the pressure on Iran is that we are not doing so alone. The European Union has enacted its own stringent sanctions regime, including an oil import ban that resulted in all 27 EU member states ceasing oil purchases from Iran. Australia, Canada, South Korea, Japan, and others have enacted their own sets of domestic measures, strengthening the international sanctions regime and sending a clear message to Iran: adhere to your international obligations, or face increasing pressure from the international community. And, even among partners who are frankly skeptical of sanctions, we have seen robust implementation of UN Security Council resolutions and cooperation on specific sanctions issues. We continue to coordinate closely with all of our international partners, ensuring stringent implementation of existing sanctions and encouraging strong domestic measures on Iran. As we move forward, it will be critical that we continue to move together and not take steps that undo the progress made so far. Doing such would signal divisions to Iran that it could and likely would exploit.

Even as we significantly increase pressure on the Iranian regime, we remain committed to ensuring that legitimate, humanitarian trade can continue for the benefit of the Iranian people. We take no pleasure in any hardship our sanctions might cause the Iranian people in their everyday lives, and it is U.S. policy to not target Iranian imports of humanitarian items. We have worked hard to ensure U.S. regulations contain an explicit exception from sanctions for transactions for the sale of agricultural commodities, food, medicine, or medical devices to Iran as long as the transactions do not involve a designated entity or otherwise proscribed conduct. And when natural disasters have struck Iran, we have been ready to assist. Following a tragic earthquake in northwest Iran in August 2012, the Administration issued a general license to facilitate U.S. support to the Iranian people as they responded to and rebuilt from the natural disaster. In all our efforts on Iran, we have demonstrated that supporting the Iranian people and pressuring the policies of their government are not mutually exclusive.

As we have built unprecedented pressure on the Iranian regime, we have also intensified our efforts towards pursuing a diplomatic solution to the nuclear issue. Since his first days in office, the President has emphasized our readiness, working with members of the P5+1 to seek a negotiated resolution regarding Iran's nuclear program. The P5+1 has been incredibly unified, and we have worked closely and well with the Russians and Chinese. On February 26, 2013, the P5+1 met with Iranian representatives in Almaty, where the P5+1 jointly presented Iran with an updated, balanced proposal that offered Iran a real opportunity to take steps toward reducing tensions and creating the time and space to negotiate a comprehensive solution to the nuclear issue. As in prior talks, Iran was presented with a strong and united message: address the international's community's concerns or face mounting pressure. Interestingly, Iran's initial public response was positive and they signaled a potential turning point.

Yet, when on April 5, 2013, the P5+1 returned to Almaty to hear Iran's formal response to our proposal, the Iranians once again fell short. While the P5+1 had a substantive exchange of views with Iran during the talks, in the end, Iran's counterproposal to the P5+1 initiative was very disappointing. According to this counterproposal Iran would place little or no constraint on its current nuclear activities, while demanding that major sanctions be removed immediately. Given the significant gulf between the two sides, the P5+1 members did not believe scheduling another round was warranted at that time, and instead agreed to return to capitals to discuss the latest developments with their respective governments. They agreed that EU High Representative Catherine Ashton would then follow up

with Iran on next steps, and indeed Ashton and Iran's Chief Nuclear Negotiator Saeed Jalili are scheduled to meet in Istanbul today, May 15.

We are looking for signs that Iran is prepared to move to address substantively all aspects of the proposal we discussed in Almaty. We are not interested in talks for talks' sake, but we must give diplomacy every chance to succeed. And, while we leave the door open to diplomacy, we will continue to maintain unrelenting and increasing pressure.

We have approached these negotiations realistically, conscious of our difficult history. We continue to seek concrete results in our talks, not empty promises. The onus is on Iran.

Support for Terrorism

Beyond its illicit nuclear activity, we also have grave concerns about Iran's destabilizing activities in the Middle East, particularly its support for Bashar Asad in Syria; its support for terrorist organizations like Hizballah; and its unacceptable attacks on innocent civilians worldwide. These activities are not going unchecked.

Iran is the world's foremost state sponsor of terrorism, which it uses as a strategic tool of its foreign policy. Led by the Islamic Revolutionary Guard Corps (IRGC)-Qods Force and the Ministry of Intelligence and Security (MOIS), the "Iran Threat Network" comprises an alliance of surrogates, proxies, and partners such as Hizballah, HAMAS, and Iraqi Shi'a militants, among others. Iran funds, trains, and equips these terrorist organizations, in whole or in part, to use in attacks around the world. This clandestine threat network destabilizes countries throughout the Middle East and threatens regional security. Iran's leaders have aimed most of their threats at one of our closest allies, blatantly declaring their desire to see the destruction of the state of Israel. We have a moral obligation to ensure that Iran never has the tools to make good on that threat.

Israel is not Iran's only target, however. Iranian national Mansour Arbabsiar pled guilty last year to plotting with members of the Qods Force to murder the Saudi Arabian ambassador by bombing a crowded restaurant here in Washington, DC. The attempt to assassinate a foreign diplomat in our nation's capital is an intolerable escalation of Iranian terrorist activity.

Iran has also sponsored and directed terrorist attacks against Israeli civilian and diplomatic targets worldwide. On February 13, 2012, a magnetic bomb was

placed under the vehicle of an Israeli diplomat's wife in New Delhi, India, seriously injuring her and three Indian nationals. The following day, a similar device was discovered under a vehicle belonging to the Israeli embassy in Tbilisi, Georgia, and safely defused. At the same time, Thai police arrested three Iranian nationals in Bangkok in connection with explosions at a private residence that subsequently revealed bomb-making materials and makeshift grenades intended for use in attacks against Israeli targets.

In June 2012, Kenyan authorities arrested two Iranian members of the Qods Force. Armed with 33 pounds of military-grade plastic explosives, they planned deadly attacks on Western and Israeli targets. On May 6, a Kenyan court sentenced them to life imprisonment for terrorism-related offenses.

Lebanese Hizballah continues to be a key partner and substantial part of Iran's threat network. Iran provides hundreds of millions of dollars to Hizballah annually and has long been Hizballah's primary trainer and arms supplier. Hizballah and the Iranian leadership share a worldview and strategic vision and are seeking to exploit the current unrest in the Middle East and North Africa to their advantage. We remain focused on Hizballah activity worldwide, and have devoted a great deal of diplomatic effort over the past several years to raising awareness of Hizballah activity with European partners, well before last summer's attack in Bulgaria, in which six Israeli tourists were killed in a terrorist bombing, and arrest in Cyprus of a suspected Hizballah operative.

Thwarted attacks involving Iranians and Iranian proxies like Hizballah in Cyprus, Thailand, and Kenya – to name a few examples – show a clear willingness on the part of our international partners to target and prosecute Iranian terrorist activity. As evidenced by these disruption and prosecution efforts across Africa, East Asia, and Europe, we and our international partners have become increasingly effective at targeting Iranian support for terrorism.

Regional Meddling and Support for Asad

In Syria, Iran has made it clear that it fears losing its closest ally and will stop at no cost, borne by both the Syrian and Iranian people, to prop up the Asad regime. Today, Iran is training, arming, funding, aiding and abetting the Asad regime and its atrocious crackdown on its own people. It is coordinating its intervention in Syria with Hizballah, which is itself engaged in training pro-regime militants who attack Syrian civilians, and in direct fighting on behalf of the Asad regime against the Syrian people. Iran and Hizballah fighters are also directing the activities of

Iraqi militia groups which have been enlisted to join in the Asad regime's war against the Syrian people. Iran has shown that it is willing to potentially destabilize an entire region if it means keeping the Syrian regime as an ally. Countering such efforts remains a key priority for the Administration and we are focused on preventing Iran from continuing to support the Syrian regime financially, materially, and logistically. The Administration has used its authorities in several executive orders to highlight the role of Iran in the Syrian regime's violation of human rights and hold accountable those responsible.

These facts further highlight Iran's continued efforts to expand its nefarious interference in the region. In January, Yemeni authorities seized, in Yemeni territorial waters, a 40-ton Iranian shipment of weapons and explosives destined for Iranian-supported Huthi extremists. These activities interfere with Yemen's ongoing political transition, and are destabilizing to the wider region. It is no surprise then that, according to a 2013 Zogby survey of 20 Arab and Muslim-majority countries, Iran is now viewed unfavorably in a majority of Arab countries and its appeal to mainstream Arab public opinion has virtually collapsed from its 2006 peak.

As Iran's isolation grows, we are working through existing regional counter-terrorism partnerships to address the Iranian threat, and the interdiction in Yemen is a successful example of that cooperation. We are also deepening our military partnerships across the region. We consult regularly on security matters with our partners in the Persian Gulf and maintain a substantial presence in the region, to keep a watchful eye on Iran, counter potential Iranian aggression, reassure our allies, and protect the free flow of commerce through the Strait of Hormuz. We are also in close and constant contact with Israel to coordinate our policies and have taken unprecedented steps to protect Israel's Qualitative Military Edge – including support for the Iron Dome defense system to stop Iranian-supported militant groups from firing Iranian-supplied rockets into Israeli communities.

Levinson, Abedini, and Hekmati Cases

Just as we are concerned about Iran's destabilizing regional activities abroad, we remain concerned about Iran's treatment of U.S. citizens detained and missing in Iran. The U.S. government is dedicated to the return of American citizen Robert Levinson and U.S.-Iranian dual nationals Saeed Abedini and Amir Hekmati. Mr. Levinson went missing from Kish Island, Iran, on March 9, 2007, and his whereabouts remain unknown. We continue to call on the Iranian government to make good on its promises to assist the U.S. government in finding Mr. Levinson

so that he can be reunited with his family. Mr. Hekmati, a former U.S. Marine who served in Afghanistan, was detained in Iran since August 2011, and endured a closed-door trial with little regard for fairness or transparency. Mr. Abedini has been detained in Iran since September 2012 on charges related to his religious beliefs, and reportedly has suffered physical abuse by Iranian officials in prison. Despite our repeated requests, Iranian authorities have failed to provide them with adequate medical treatment or permit visits from our protecting power. We will continue to raise these cases directly and publicly as we also pursue all available options until all three of these Americans return home safely.

Human Rights

We are equally disturbed by the regime's ongoing campaign of repression against its own people. Such oppression has included the harassment and intimidation of family members of those who speak out for freedoms, the torture of political prisoners, and the limitation of freedom of expression and access to information. These acts of aggression have created a culture of fear in which few dare to voice dissent or challenge regime officials. Students, lawyers, journalists, and bloggers, ethnic and religious minorities, artists and human rights activists are all targets for abuse, intimidation, or discrimination.

Labeled by press advocacy group Reporters Without Borders as an "enemy of the internet," Iran filters online content and blocks access to the internet to prevent Iranian people from acquiring knowledge and unbiased information about their own country and the outside world. We are committed to raise the cost of repression and help Iranians break through the "electronic curtain" the regime is erecting to communicate with one another and share their story with the world.

As Dr. Martin Luther King said, "Injustice anywhere is a threat to justice everywhere," and this is true, too, as we advocate for the rights and freedoms of the Iranian people. We have helped raise awareness of regime abuses and held Iranian officials responsible for their actions. Working with the authorities you provided us, we have imposed sanctions – including asset freezes and visa bans – on 30 Iranian individuals and entities for engaging in serious human rights abuses or censorship activities that limit freedom of expression, including the IRGC, the MOIS, Iran's Cyber Police, and the Islamic Republic of Iran Broadcasting. And while we know that public discussion of these incidents does not always help the people taking risks on the ground, make no mistake: we have stood – and will continue to stand – fully and firmly behind the aspirations of the Iranian people.

We have lent our voice to those the regime has tried to silence, speaking out in defense of numerous political prisoners, such as noted human rights defender Nasrin Sotoudeh, Christian pastor Youcef Nadarkhani, journalist Zhila Bani-Yaghoub, and Kurdish rights activist Seddigh Kaboudvand. We will continue to highlight such cases and coordinate our actions with our international partners, as we did in 2011 at the UN Human Rights Council to create the mandate of the Special Rapporteur for Human Rights in Iran, whose exhaustive reports have detailed the extent of unspeakable abuses in Iran. Likewise, we will continue to support the annual Canadian-led resolution at the UN General Assembly to condemn Iran's human rights practices, a measure which has passed for 10 consecutive years.

Outreach to the Iranian People

Coupled with our concerns about human rights are our concerns about the well-being of the Iranian people. Every day, we hear from the Iranian people directly through our public diplomacy programs and Farsi-language social media platforms. The Virtual Embassy Tehran, launched in December 2011, has over 2 million hits and our Farsi-language Facebook, Twitter, Google+, and YouTube channel have also been enormously successful. The 170 videos on our YouTube channel have more than 1 million views and our Facebook page has over 120,000 fans, 60 percent of whom are inside of Iran and who access our sites even though the Iranian regime blocks the site.

What we see through our interactions is that the Iranian people are being detrimentally affected by the misplaced priorities, corruption and mismanagement of their government. Instead of meeting the needs of its own people, the Iranian regime has chosen to spend enormous amounts of its money and resources to support the Asad regime as well as its militant proxies around the world, and to pursue the development of weapons of mass destruction. Instead of investing in its people, Iran continues to restrain their vast potential through censorship, oppression, and severe limitations on their social, political and even academic freedoms.

As the President and the Secretary have said, in the United States our own communities have been enhanced by the contributions of Iranian Americans. We know that the Iranian people come from a great civilization whose accomplishments have earned the respect of the world. That is why in his 2013 Nowruz message, the President emphasized that there is no good reason for Iranians to be denied the opportunities enjoyed by people in other countries.

Iranians deserve the same freedoms and rights as people everywhere and all nations would benefit from the talents and creativity of the Iranian people, especially its youth. It is a shame that much of the world realizes this and the Iranian government has yet to do so.

Presidential Elections

Let me conclude by addressing a topic we are watching closely: Iran's June 14 presidential election. Following the last election in 2009, when the regime violently quashed the hopes and dreams of ordinary Iranians who went into the street to demand their fundamental rights, we have seen a deliberate and unrelenting level of repression in the lead-up to these elections.

As we speak, behind closed doors, Iran's unelected and unaccountable Guardian Council is vetting Iranian presidential contenders, using vague criteria to eliminate potential candidates. Without a transparent process, it is difficult for us to say whether Iran's elections will be free, fair, or represent the will of the Iranian people.

We take no sides in Iran's presidential election. The decision about who leads Iran is for the Iranian people, who should have every opportunity to express freely and openly their opinions, ideas, and hopes for the future of their country. But we do call on the Iranian authorities to conduct a free and fair election that not only conforms to international standards of transparency and accountability but is just and represents the will of the Iranian people.

Conclusion

In sum, Iranians deserve better. Their government has chosen to isolate them, stunt their economic growth, repress their ability to speak freely, and connect the people of Iran with the most heinous acts of terrorism and regional adventurism. Iran's government can choose to end these policies at any time and put their people's well being first.

As the President said, we have no illusions about the difficulty of overcoming decades of mistrust. It will take a serious and sustained effort to resolve the many differences between Iran and the United States. We do not expect to always agree, but rather for Iran to be an honest and responsible member of the international community, a community where members honor their commitments and keep their word or pay the price.

We share Congress' concern about Iran and want to continue our hand in hand efforts to ensure that Iran does not continue on a path that threatens the peace and stability of the region and tramples the freedoms of its citizens. We welcome your ideas on how we can sustain and expand our efforts.

Thank you.

Chairman ROYCE. Mr. Cohen.

STATEMENT OF THE HONORABLE DAVID S. COHEN, UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE, U.S. DEPARTMENT OF THE TREASURY

Mr. COHEN. Chairman Royce, Ranking Member Engel, distinguished members of the committee, thank you for the opportunity to testify today.

No issue is of greater concern or urgency than preventing Iran from obtaining a nuclear weapon. As Under Secretary Sherman said, that is why from our first days in office this administration has pursued a dual-track strategy that offers Iran the opportunity for diplomatic engagements, while at the same time making abundantly clear that if Iran continues to refuse to comply with its international obligations, we, along with our partners in the international community, will apply increasingly powerful sanctions on Iran. That is exactly what we have done, and that is what we are committed to continuing to do, in close collaboration with Congress, so long as Iran refuses to engage meaningfully with respect to its nuclear program.

In my written testimony I describe in detail the expanding scope, intensity and impact of U.S. sanctions on Iran and how these new authorities, coupled with robust implementation and enforcement, have had a very significant impact on Iran. I would like to highlight just a few points.

First, and most importantly, creating this powerful sanctions regime has been and must continue to be a joint effort between the Congress and the administration. Through the enactment and energetic implementation of key pieces of legislation, including CISADA and the NDAA, we have isolated Iran from the international financial system and driven down Iran's oil exports by some 50 percent, depriving Iran of a critical source of revenue.

In addition, to enhance the sanctions pressure on Iran, over the past year the President has adopted five Executive Orders that extend and strengthen the legislative sanctions framework, including orders that block the property of the entire Government of Iran, including its central bank, that make dealings with the National Iranian Oil Company and its trading arm, NICO, subject to sanctions, and that enhance the NDAA by authorizing sanctions on foreign banks that facilitate the acquisition from any party of Iranian petroleum, petroleum products or petrochemicals.

A few months ago the Iran Threat Reduction Act went into effect, which effectively locks up Iran's oil revenues in the few countries that still buy Iranian oil by requiring that that revenue can only be used to pay for bilateral trade or for humanitarian imports. As of February 6 of this year, Iran's dwindling oil revenue cannot be repatriated to Iran, transferred to a third country, or used to facilitate third-country nonhumanitarian trade.

Second, we have aggressively implemented and enforced the entire sanctions framework. Since the beginning of 2012, we have imposed sanctions on 22 individuals and 54 entities, and added almost 200 aircraft and ships to the sanctions list. We have imposed sanctions on banks, businesses, government entities and individuals involved in Iran's WMD proliferation activities, its support for

international terrorism, and its support for the brutal Assad regime.

We have also targeted Iran's increasingly desperate efforts to evade our sanctions, and just this morning we imposed sanctions on an exchange house and a trading firm in the UAE for providing services to designated Iranian banks, taking direct aim at a growing mechanism of sanctions evasion, nonbank financial institutions.

Third, we see clear evidence that these efforts are having an impact. As I noted, Iran's crude oil and condensate exports have dropped by roughly 50 percent between January 2012 and early 2013, costing Iran between $3 billion and $5 billion a month. In 2012, Iran's GDP fell by some 5–8 percent, the largest drop since 1988, the final year of the Iran-Iraq war, and the first contraction in 20 years. The value of Iran's currency, the rial, has plummeted, losing over two-thirds of its value in the last 2 years.

And we also see the impact of our sanctions in less tangible, yet more significant ways. During the negotiating sessions in Almaty, Kazakhstan, the Iranian side sought sanctions relief in exchange for concessions on their nuclear program. They would not have done so had the impact of sanctions not affected their calculus.

Finally, we are committed to doing more. We will work to increase Iran's economic and financial isolation through the implementation, as of July 1, of the Iran Freedom and Counterproliferation Act of 2012. We will work to target additional sources of Iranian revenue, including from the petrochemical sector. With our colleagues at State, we will maintain our robust outreach efforts to foreign governments and the private sector to explain our sanctions, to warn them of the risks of doing business with Iran, and to encourage them to take complementary steps. We will continue aggressively to target Iran's proliferation networks, support for terrorism, sanctions evasion, abuse of human rights and complicit financial institutions. And we will continue to work closely with Congress in each and every one of these endeavors because we know that we share a common objective, ensuring that Iran does not obtain a nuclear weapon.

Thank you.

Chairman ROYCE. Thank you, Mr. Cohen.

[The prepared statement of Mr. Cohen follows:]

Written Testimony
David S. Cohen
Under Secretary for Terrorism and Financial Intelligence
U.S. Department of the Treasury

May 15, 2013

House Committee on Foreign Affairs – "Preventing a Nuclear Iran"

INTRODUCTION

Chairman Royce, Ranking Member Engel, and distinguished members of the Committee, thank you for the opportunity to testify today on the Treasury Department's application of sanctions pressure as one part of the U.S. government's effort, coordinated with counterparts around the world, to counter the threat posed by Iran's nuclear and ballistic missile program. Our continued close collaboration with this Committee and your colleagues in Congress is essential to our success in addressing this threat.

As this Committee will appreciate, no issue is of greater concern or urgency than preventing Iran from obtaining a nuclear weapon. As the President recently warned, an Iran in possession of such a weapon would increase the risk of nuclear terrorism, undermine the global nonproliferation regime, trigger an arms race in the Middle East, and embolden a regime that has ruthlessly repressed its citizens.

That is why this Administration, from its first days in office, has tenaciously pursued a dual-track strategy that offers Iran a path to reclaim its place among the community of nations while making clear that we, along with our partners in the international community, would apply increasingly powerful and sophisticated sanctions on Iran if it continues to refuse to satisfy its international obligations with respect to its nuclear program. As we have repeatedly made clear, Tehran faces a choice: it can address the call of the international community to give up its nuclear ambitions and begin reintegrating itself diplomatically, economically and financially into the world community, or it can continue down its current path and face ever- growing isolation.

INCREASING PRESSURE ON IRAN

Since my last appearance before this Committee, the scope, intensity, and impact of U.S. sanctions on Iran have expanded through the enactment of legislation, the adoption of executive orders, and the energetic implementation and enforcement of the entire sanctions framework. These efforts have heightened the economic pressure and imposed a very significant strain on the Iranian regime.

Designating Iranian Banks and their Financial Partners

When I last appeared before the Committee, I described the Administration's extensive efforts to implement the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010

(CISADA). CISADA calls for the exclusion from the U.S. financial system any foreign financial institution that knowingly facilitates significant transactions or provides significant financial services for Iranian financial institutions designated in connection with Iran's nuclear or missile proliferation activity, or its support for international terrorism.

The mere fact that we have CISADA at our disposal has been sufficient to drive the overwhelming majority of banks away from business with Iran's designated banks, isolating those Iranian banks from the global financial system. To date we have employed this authority against two foreign banks, China's Bank of Kunlun and Iraq's Elaf Islamic Bank, for facilitating millions of dollars' worth of transactions for several designated Iranian banks. Were there any question about our willingness to apply CISADA sanctions, these actions clearly demonstrated that we will target sanctionable activity, wherever it may occur.

Targeting the Central Bank of Iran and Iran's Oil Revenues

Just over a year later, in December 2011, the President signed into law the National Defense Authorization Act for Fiscal Year 2012 (NDAA), which threatens CISADA-like consequences – that is, terminating or restricting correspondent account access to the U.S. – for foreign financial institutions that transact with the Central Bank of Iran (CBI) in a way not authorized by U.S. law. Significantly, the NDAA also marked a new phase in our sanctions campaign by targeting Iran's economic lifeblood: its oil exports.

The logic behind the measures in the NDAA is two-fold. First, it seeks to isolate the CBI from the international financial system – a step begun a month earlier when we designated the entire jurisdiction of Iran as a "primary money laundering concern" under Section 311 of the USA PATRIOT Act. These actions undercut the CBI's ability to facilitate the conduct of designated Iranian banks and to support Iran's illicit activities within Iran and abroad.

Second, because the CBI is the primary bank into which Iran receives oil payments, the NDAA intensifies economic pressure on the regime. To prevent Iran from benefiting from a spike in oil prices that might be caused by a rapid reduction of Iranian oil in the market, the NDAA was designed to encourage Iran's oil customers to undertake significant but incremental reductions in their Iranian oil imports, giving customers and alternative suppliers a measure of time to adjust and accommodate this reduction. This law – working in tandem with our efforts targeting Iran's access to the international financial system – has had an enormous impact on Iran's oil revenues.

Locking Up Iran's Oil Revenues

The impact of the NDAA was further enhanced by a powerful measure contained in the Iran Threat Reduction and Syria Human Rights Act of 2012 (TRA) that entered into effect on February 6, 2013. Under Section 504 of the TRA, any country that has received an NDAA "significant reduction" exception – meaning that its banks can pay Iran for its significantly reduced oil imports without risk of correspondent account sanctions – must now ensure that those revenues are used only to facilitate bilateral trade or humanitarian trade. Iranian oil-import revenue cannot be repatriated to Iran, transferred to a third country, or used to facilitate third-country trade, except for humanitarian purchases. This is a very powerful provision, as it

effectively "locks up" Iranian revenues in the few countries that still buy Iranian oil and denies Iran the free use of its diminishing oil revenue.

Tightening the Sanctions Regime Through Executive Orders

To further enhance the pressure on Iran, the President in 2012 issued five executive orders targeting Iranian activity. I would like to highlight two in particular, that we have used to target Iran's efforts at sanctions evasion and to put further pressure on its energy exports.

In response to Iran's continued abuse of the financial sector, the President in February 2012 issued Executive Order (E.O.) 13599. Among other things, E.O. 13599 blocks all property of the Government of Iran, including the Central Bank of Iran, and allows us to impose sanctions on any person – Iranian or non-Iranian – who acts for or on behalf of the Iranian government, regardless of the type of activity. Under this executive order we imposed sanctions on a Greek businessman, Dmitris Cambis, and a group of front companies for using funds supplied by the Government of Iran to purchase oil tankers, and then disguising the origin of the Iranian oil transported on those vessels.

In July 2012, the President issued E.O. 13622, which enhances the NDAA by authorizing sanctions on foreign banks and persons that facilitate the activities of, or provide material support to, the National Iranian Oil Company (NIOC) or its energy-trading subsidiary, the Naftiran Intertrade Company (NICO), or that facilitate the acquisition – from any party – of Iranian petroleum, petroleum products, or petrochemicals. This authority also gives us the ability to target those who provide material support to the Central Bank of Iran or who sell gold to the Government of Iran. We have used this measure to important effect in our engagement with foreign partners, warning countries about the risk of undertaking this conduct and, we believe, deterring it.

Expanding Energy, Shipping, and Shipbuilding Sanctions

Last, I would like to discuss a new authority, the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA), which was enacted in January 2013 and becomes fully effective on July 1, 2013. IFCA expands our existing sanctions by giving us new tools to target Iran's ports, energy, shipping, and shipbuilding sectors, as well as Iran's supply of certain metals and industrial materials. It also provides for additional sanctions on banks that transact with any designated Iranian entity, not just those designated for WMD proliferation, terrorism, or human rights abuses. To help ensure this new legislation has the greatest impact possible, we have conducted extensive outreach to foreign governments and companies to explain the ever-increasing risks that business, and financial transactions incident to that business, with Iran poses.

RECENT ADMINISTRATION ACTIONS

The pressure we have brought to bear on Iran is the result not only of the creation of additional authorities, but also the aggressive implementation of those authorities. Since the beginning of 2012, Treasury, in consultation with our interagency partners, particularly the Department of State, has imposed sanctions on 22 individuals and 54 entities, and has added almost 200 aircraft

and ships to the sanctions list. I will briefly describe a few recent actions emblematic of our work to expose Iran's WMD proliferation activities, its sponsorship of international terrorism, its support to the brutal Assad regime, and its abuse of human rights.

WMD Proliferation

Disrupting and disabling Iran's WMD procurement networks and proliferation activities through the use of the counter-proliferation executive order, E.O. 13382, remains one of our primary objectives. Last week, for example, we designated an Iranian financial institution – the Iranian Venezuelan Bi-National Bank – as engaging in financial transactions on behalf of a previously designated Iranian bank. That brings to 28 the number of Iranian financial institutions that have been designated under either E.O. 13382 or the counter-terrorism executive order, E.O. 13224. Notably, each of these designated Iranian-linked financial institutions can trigger CISADA sanctions, meaning that any foreign financial institution that knowingly facilitates significant transactions for any of these 28 financial institutions risks losing its access to the U.S. financial system.

This action follows the designations of some fifteen entities in November and December of last year that targeted the international procurement operations of Iran's Atomic Energy Organization of Iran (AEOI), the Iran Centrifuge Technology Company (TESA), and Iran's uranium enrichment efforts. Actions taken under E.O. 13382 build upon the hundreds of Iran-related designations we have made under this authority over the past eight years.

Terrorism

As we focus on Iran's WMD programs, we remain mindful that Iran is still the world's foremost state sponsor of international terrorism, in particular through its Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF). Iran continues to provide financial and military support to several terrorist organizations, including Lebanese Hizballah, which is responsible for the bombing last summer of a tourist bus in Burgas, Bulgaria.

In November 2012 we exposed a senior IRGC-QF officer and senior official of the Iraqi terrorist group Kata'ib Hizballah (KH), which is backed by the IRGC-QF and whose training has been coordinated with Lebanese Hizballah in Iran. KH is responsible for a rocket attack that killed two UN workers in Baghdad and for numerous other acts of violence in Iraq. Treasury also maintains vigilant watch over the activities of al-Qa'ida operatives working out of Iran in an effort to expose and isolate them. In October 2012, for example, we designated a key facilitator for al-Qa'ida, the latest in a series of actions exposing some half a dozen members of al-Qa'ida operating in Iran, under an agreement between Iran and al-Qa'ida.

Syria

Iran's financial, material and logistical support for the Assad regime's brutal campaign of violence against its own citizens also remains an area of intensive focus. Last year the President exposed the IRGC-QF for its support to the Syrian General Intelligence Directorate – a key instrument of Assad's repression – in the Annex to E.O. 13572, which targets those responsible

for human rights abuses in Syria. We have also taken action under this authority against the IRGC-QF's commander Qasem Soleimani and his deputy, as well as the Iranian Ministry of Intelligence and Security, Iran's primary intelligence organization. As part of the effort to expose Iran's role in abetting Assad's atrocities, Treasury has also targeted Iran's national police, the Law Enforcement Forces, along with its chief Ismail Ahmadi Moghadam and his deputy, which have also aided the Syrian regime's crackdown.

Iran's support to the Assad regime also is clearly reflected in Hizballah's aid to the Assad regime. As we observed last year when we designated Hizballah and its leadership for providing support to the Government of Syria under E.O. 13582, Iran has long provided Hizballah with military, financial, and organizational assistance. Iran's IRGC-QF has led these efforts, working with Hizballah to train Syrian government forces and establish and equip a pro-Assad militia in Syria that has filled critical gaps in Syria's military.

We also continue to focus on Syria and Iran's ongoing proliferation activities. Last year, for instance, we sanctioned Iran's SAD Import Export Company under E.O. 13382 for acting on behalf of Iran's Defense Industries Organization, itself sanctioned under this authority, for shipping arms to the Syrian military and supplying goods for the production of mortars.

Human Rights

The people of Syria are only the latest to suffer from Iran's wanton disregard for human rights. Its own citizens, as we have witnessed for decades, continue to bear the brunt of the regime's abuses. Under E.O. 13553, Treasury and State have the authority to sanction Iranian officials who are responsible for or complicit in serious human rights abuses against the people of Iran on or after June 12, 2009. This executive order complements other authorities in CISADA, the TRA, and EO 13628 that target persons who transfer goods or technology likely to be used in serious human rights abuses or that have engaged in censorship activities against the people of Iran.

Under E.O. 13628, we recently sanctioned the Islamic Republic of Iran Broadcasting and its managing director, the Iranian Cyber Police, and nearly a dozen other entities and individuals for their involvement in abusing the human and democratic rights of Iran's citizens. We continue to keep close watch on events in Iran, especially as the upcoming presidential elections draw near, and will not hesitate to expose those who deny the Iranian people their democratic and human rights.

Sanctions Evasion

As Iran is turned away from reputable international financial institutions and partners, it increasingly relies on deception and concealment to evade international sanctions to meet its financial needs. We have worked tirelessly to expose those who aid these efforts. In May 2012 the President issued E.O. 13608, which allows us to target those who facilitate Iran's evasion of sanctions. And last month under our WMD proliferation authority E.O. 13382, the Administration exposed a major network run by Iranian businessman Babak Zanjani, including

banks in Malaysia and Tajikistan, that helped move billions of dollars on behalf of the Iranian regime, including tens of millions of dollars to an IRGC company.

IMPACTS ON IRAN

The international sanctions regime – of which our sanctions are just one, albeit very important, part – has had a significant effect on key sectors of the Iranian economy, as well as on the Iranian economy as a whole. More importantly, these economic effects have had an impact on Iran's leadership. Perhaps the clearest evidence of this comes from the recent negotiating sessions in Almaty, Kazakhstan. During those meetings, the Iranian side sought sanctions relief in exchange for concessions on their nuclear program. They would not have done so had the impact of sanctions not affected their calculus.

Petroleum Sector Impacts

U.S. and EU sanctions on Iran's petroleum sector have been particularly powerful. Of the more than twenty countries that imported oil when the NDAA went into full effect on June 30, 2012, only a handful continue to do so today. Iran's crude oil and condensate exports have dropped by roughly 1.3 million barrels per day, or some 50%, between the enactment of the NDAA and early 2013. The EU's decision to ban the import of oil into Europe, effective in mid-2012, contributed in no small part to this fall. These lost sales cost Iran between $3 billion and $5 billion a month. Iran's petrochemical exports have also been hit, decreasing by at least 7.6 percent in 2012 from the previous year.

Shipping Sector Impacts

As our authorities have expanded to encompass Iran's petroleum sector, we have also used them to target Iran's ability to export its primary commodity. Under E.O. 13599, we sanctioned Iran's primary crude shipper, the National Iranian Tanker Company (NITC), over two dozen of its affiliates and over 60 of its vessels. Like the Islamic Republic of Iran Shipping Lines (IRISL), which our sanctions have largely driven out of business, NITC has sought to deceive the world maritime community, by changing the names of its vessels, turning off its transponders and engaging in ship-to-ship transfers to obscure the origin of Iranian oil. While these evasion efforts may work for a short while, they are not sustainable and are eventually detected, as last week's action against the Cambis network's Sambouk Shipping FZC clearly demonstrates.

Economic Impacts

As Iran finds it increasingly difficult to earn revenue from petroleum sales and to conduct international financial transactions, Iran's economy has been severely weakened. Iran's own economic mismanagement has only exacerbated these effects.

Take, for instance, the broadest measure of Iran's economic activity, its gross domestic product (GDP). Treasury assesses that in 2012 Iran's GDP fell by some 5 to 8 percent – the largest drop since 1988, the final year of the Iran-Iraq war, and the first contraction in twenty years. This decline has impacted the Government of Iran's budget, causing it to run in 2012 its largest deficit

in 14 years, which could amount to some 3 percent of GDP. We believe Iran's GDP will continue to shrink in 2013 in the face of reduced government and consumer spending and declining oil exports, as well as the ramping up of additional sanctions.
Iran's economic contraction is manifest in its recent budget bill, which projects almost 40 percent less oil revenue than did the previous year's budget law. To help make up the shortfall, Iran's parliament is currently considering tax increases of some 38 percent. And in March, Iran's Supreme Audit Court released figures showing that for the first nine months of the Iranian year only 53 percent of projected budget revenues had been realized.

We have also begun to see the impact of the bilateral trade restriction in Section 504 of the TRA, which went into effect in February. This measure has limited Iran's access to its foreign exchange reserves and impeded the Government of Iran's ability to support the rial. Supported by our extensive outreach efforts, this powerful provision is rendering Iran's reserves increasingly inaccessible.

Iran's currency also has been hit hard. At the beginning of 2012, one U.S. dollar purchased 16,000 rials in the open market. As of April 30 of this year, one dollar was worth about 36,000 rials. (See Chart 1, appended.) The open market value of the rial has lost over two-thirds of its value in the last two years.

Faced with a rapidly depreciating rial, in September 2012 the Central Bank of Iran established a Currency Trading Center (CTC) to allocate foreign exchange for certain preferred imports at a preferential rate of about 24,000 rials to the dollar. Apparently faced with dwindling supplies of hard currency, just a few weeks ago the CBI substantially limited the list of imported goods that qualified for the CTC's preferential rate.

Inflation, partly due to the volatility and depreciation of the rial, is another telling metric. As of April 20, 2013, the official Statistics Center of Iran twelve-month average inflation rate was approximately 30 percent, while the point-to-point inflation rate was nearly 39 percent. Independent analysis suggests the actual inflation rate is significantly higher.

These figures become increasingly stark when we compare Iran to its neighbors or similarly situated countries. Compared to groupings of countries in the Middle East and Africa, Iran's stock of foreign capital, as measured by the Bank of International Settlements, is down 57 percent for the two-year period ending December 2012, representing a reduction in lending of some $9.5 billion. This figure contrasts with a 13 percent increase in BIS banks' lending exposure to all developing countries. (See Chart 2, appended.) This shortage of capital is at least one reason why Iran's automobile sector is now encountering significant difficulties, manufacturing at some 50 percent of nominal capacity and facing substantially reduced exports.

Claimed Impact on Humanitarian Trade

There have been some reports of shortages of some medicines in Iran, and that some banks may be reluctant to process payments for the export of pharmaceuticals and other humanitarian goods to Iran. At the same time, however, we have also been told by major pharmaceutical companies that they are able to deliver their products to Iran and receive payment.

Regardless of this discrepancy, we take this issue very seriously. President Obama has made clear that we have nothing but respect for the people of Iran. The goal of our sanctions on Iran is to expose and impede the Iranian government's continued pursuit of its nuclear and ballistic missile programs, and to help persuade the Iranian leadership that its only viable choice is to come into compliance with its international obligations.

That is why it has been the longstanding policy of the United States to allow the export to Iran of humanitarian items, such as food, medicine, and medical devices. Our sanctions broadly authorize the sale and export to Iran of nearly all types of food and medicines, as well as basic medical supplies. No special permission is required to sell these humanitarian goods to Iran. And foreign financial institutions can facilitate these permissible humanitarian transactions, as long as the transaction does not involve a U.S.-designated entity, such as a bank sanctioned for supporting Iran's nuclear program.

To allay any concerns or misunderstandings, several months ago Treasury's Office of Foreign Assets Control (OFAC) published detailed guidance clarifying our long-standing policies regarding humanitarian assistance and related exports to the Iranian people. I encourage anyone concerned about this issue to read OFAC's guidance, which is appended to this testimony. Moreover, we and our colleagues in the State Department have met with governments, banks, and pharmaceutical exporters in Europe and Asia to ensure that they understand the reach and limits of our sanctions.

So let's be clear about this issue. Whatever shortages may exist, and whatever reluctance foreign banks may have to process transactions, the root cause is not our sanctions programs, it is the actions of the Iranian government.

This fact is perhaps best illustrated by a recent incident involving Iran's former Health Minister, Marzieh Vahid Dastjerdi. Late last year, Minister Dastjerdi publicly complained that the Iranian Central Bank had failed to provide the Health Ministry with the $2.4 billion in hard currency that had been budgeted for the Ministry's import of medicines and medical devices. Instead, the Central Bank made only $600 million – a quarter of the budgeted amount – available to the Ministry. Pointing out that short-changing the Health Ministry so drastically would threaten shortages of medicines and medical devices, the Health Minister objected. Instead of heeding her warnings, the Ahmadinejad government fired Minister Dastjerdi.

And to the extent that foreign banks may be reluctant to facilitate permissible transactions with Iran, that too is due to the actions of the Iranian government. It is by now well-established that Iranian banks have abused their access to the international financial system by deceiving their banking counterparties about the true nature of the transactions in which they engage by hiding transactions that facilitate Iran's nuclear and ballistic missile program among otherwise legitimate transactions. This has led many foreign banks to restrict, if not terminate entirely, their interactions with Iranian banks. It is thus entirely understandable that foreign banks that maintain relationships with Iranian banks may nonetheless be wary about facilitating otherwise permissible transactions.

NEXT STEPS

Despite our success in increasing pressure on Iran, we have yet to see the regime change its fundamental strategic calculus regarding its nuclear program. Nonetheless, the Administration remains convinced that sanctions pressure has an important role to play in helping to bring about a negotiated resolution. Accordingly, our commitment to the dual-track strategy – and to applying ever more effective and potent economic and financial pressure on Iran – has never been greater. We look forward to continuing to work with Congress on this endeavor.

Let me briefly share with you some thoughts on where we go from here.

Increasing Iran's Isolation

First, we will continue to identify ways to isolate Iran from the international financial system. We will do so by maintaining our aggressive campaign of applying sanctions against individuals and entities engaged in, or supporting, illicit Iranian activities and by engaging with the private sector and foreign governments to amplify the impact of these measures. As part of this effort we will also target Iran's attempts to evade international sanctions through the use of non-bank financial institutions, such as exchange houses and money services businesses. And we will explore new measures to expand our ability to target Iran's remaining links to the global financial sector.

In particular, we are looking carefully at actions that could increase pressure on the value of the rial. In that connection, we will continue to actively investigate any sale of gold to the Government of Iran, which can be used to prop up its currency and to compensate for the difficulty it faces in accessing its foreign reserves. We currently have authority under E.O. 13622 to target those who provide gold to the Iranian government and, as of July 1, IFCA will expand that authority to target for sanctions the sale of gold to or from *anyone* in Iran for any purpose.

Targeting Additional Sources of Revenue

Second, we will continue to target Iran's primary sources of export revenue. In addition to oil and petroleum products, Iran exports substantial volumes of petrochemicals. Current authorities allow us to target those who purchase or acquire these commodities, as well as the financial institutions that facilitate these transactions. We believe targeting these actors, as well as those on the supply side of the equation in Iran, may offer a meaningful opportunity to gain additional leverage.

Engaging with International Partners

Third, with State, we will maintain our robust engagement and outreach efforts to foreign governments and the private sector. Treasury regularly meets with foreign officials and financial institutions to explain our sanctions, to warn them of the risks of doing business with Iran, and to encourage them to take complementary steps. In response, we have seen jurisdictions and companies the world over respond positively to these overtures, multiplying the force of our

sanctions many times over. As we have for CISADA and the NDAA, we have already begun to engage with foreign countries, banks, and businesses on the implications of IFCA, and will continue to do so as we move forward in our implementation of this important legislation.

Aggressive Enforcement

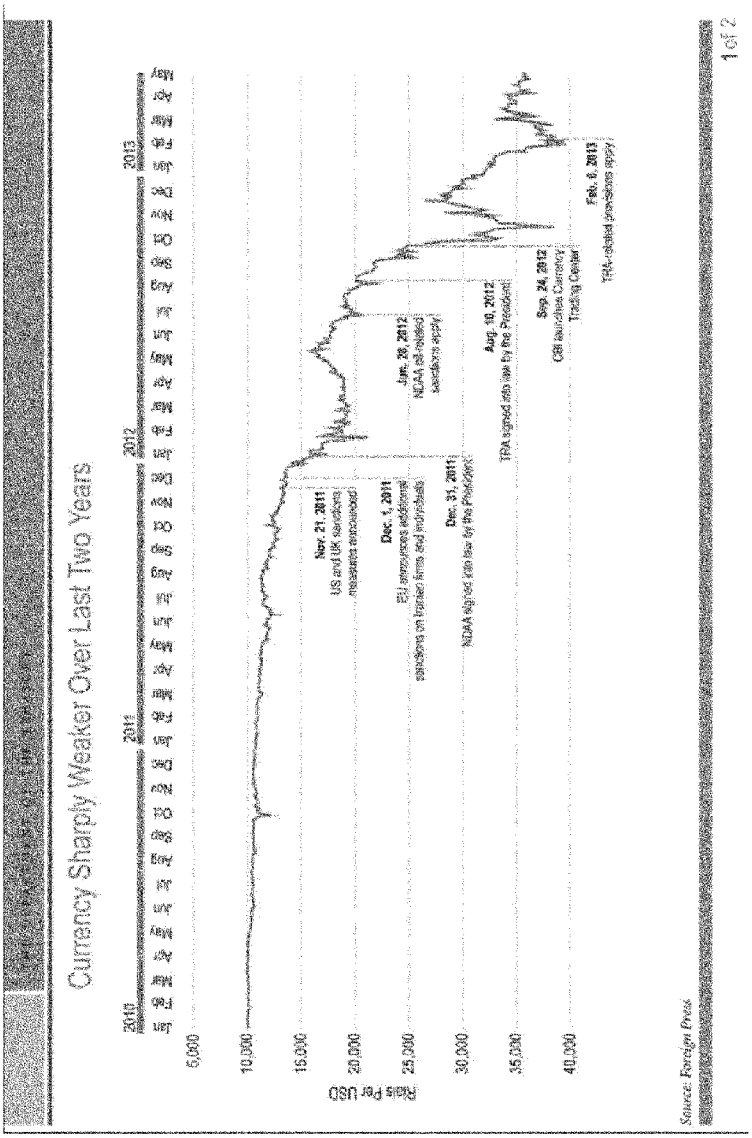
The Administration campaign to target Iran's proliferation networks, support for terrorism, sanctions evasion, abuse of human rights, and complicit financial institutions is without precedent. It will only continue and grow more robust as Iran's failure to meet its international obligations persists. As I believe we have amply demonstrated, we are relentless in pursuing those who facilitate Iran's illicit conduct or otherwise enable the regime. That will continue unabated.

CONCLUSION

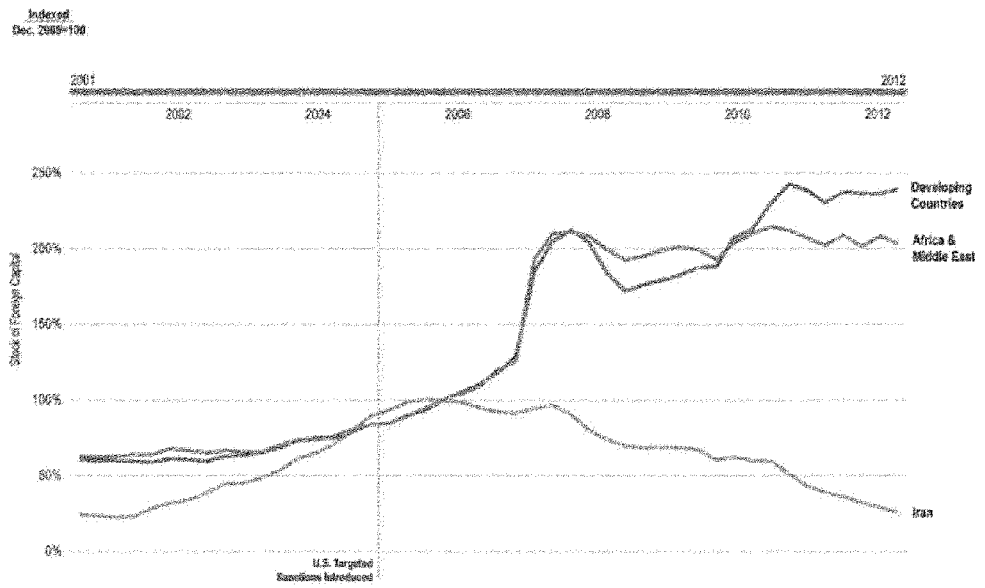
Despite our efforts to isolate and pressure Iran, we know there is far more to do.

As Secretary Lew has said, "We will exhaust all diplomatic and economic means we can." What remains to be seen, he noted, is whether this will "change the mind of the regime so that it [is] ready to, in a diplomatic process, give up the pursuit of nuclear weapons. That is the goal."

I know this Committee shares this objective, and I look forward to working with you and your colleagues in the Congress to advance our efforts to achieve it.


Currency Sharply Weaker Over Last Two Years
Rials Per USD
5,000
10,000
15,000
20,000
25,000
30,000
35,000
40,000
2010
2011
2012
2013
Nov. 21, 2011
US and UK sanctions measures announced
Dec. 1, 2011
EU announces additional sanctions on Iranian firms and individuals
Dec. 31, 2011
NDAA signed into law by the President
Jun. 28, 2012
NDAA oil-related sanctions apply
Aug. 10, 2012
TRA signed into law by the President
Sep. 24, 2012
CBI launches Currency Trading Center
Feb. 6, 2013
TRA-related provisions apply
Source: Foreign Press
1 of 2

Foreign Capital Shuns Iran as Sanctions Bite



Source: Bank for International Settlements (BIS). Includes data provided by banks in 43 BIS reporting countries, which do not include China and Russia.
Note: Data through December 2012

DEPARTMENT OF THE TREASURY

OFAC

Office of Foreign Assets Control

Clarifying Guidance

Humanitarian Assistance and Related Exports to the Iranian People

This guidance is provided solely for informational purposes and does not have the force of law. The legal provisions of U.S. sanctions are set forth in applicable statutes and regulations, which are legally binding and govern the activities described in these guidelines.

Updated February 6, 2013

DEPARTMENT OF THE TREASURY
OFAC

As the Government of Iran continues to ignore its international obligations, the U.N. Security Council and governments around the world, including the United States, have implemented a series of steadily tightening sanctions intended to impose consequences on Iran's leadership for their failure to adhere to their obligations and alter their dangerous course. These sanctions have had a tangible impact on the Government of Iran's ability to engage in illicit activities, making concrete the costs and isolation that the Government of Iran will continue to face so long as its leadership chooses to ignore their international obligations.

From the start, the United States and its international partners have worked to ensure that these sanctions do not prohibit the delivery of humanitarian assistance and exports of humanitarian goods to Iran. Accordingly, under U.S. law, the sale and export of nearly all types of food and medicine to Iran are broadly authorized, and require no specific license or special authorization from the Department of the Treasury's Office of Foreign Assets Control (OFAC) or any other agency of the U.S. government. The sale and export of basic medical supplies are likewise broadly authorized. Other types of humanitarian exports may be authorized pursuant to a specific license from OFAC. In such instances, where U.S. persons are either specifically or generally authorized to engage in humanitarian exports to Iran, financial institutions here and abroad are generally permitted under U.S. law to process all financial transactions necessary to facilitate the trade.

Part I of this document provides an overview of current policies with respect to humanitarian assistance and exports to the Iranian people – first, for U.S. persons and financial institutions, and second, for third-country financial institutions. Part II provides additional guidance for the public as to specific procedures for license applications and other relevant guidance.

I. OVERVIEW OF CURRENT U.S. POLICIES

For U.S. persons, including financial institutions:

U.S. persons, including financial institutions, are subject to a number of specific prohibitions regarding dealings with Iran. Nonetheless, OFAC administers U.S. laws and regulations in a way that allows Americans to continue their humanitarian support of the Iranian people without providing support to the Government of Iran. The U.S. Government's commitment to facilitating humanitarian engagement with the Iranian people is manifest in its longstanding policy to authorize exports or re-

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exports of humanitarian goods, such as agricultural commodities, medicine, and medical devices, to Iran. The following policies also demonstrate this commitment:

- Food items, medicines, and medical supplies. OFAC's general licenses allow for the export or re-export by U.S. persons of certain food items, medicines, and basic medical supplies for Iran without further specific authorization, subject to certain limitations. Financial transactions in support of trade in certain food, medicine, and medical devices from the U.S. (or from a foreign country), may also be conducted without specific OFAC authorization, subject to certain restrictions. For details on these aforementioned restrictions, please refer to section 561.201 of the Iranian Financial Sanctions Regulations, 31 C.F.R. Part 561 (IFSR), and section 560.532 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (ITSR). Donations to the Iranian people (but not the Government of Iran) of food and medicine intended to relieve suffering are exempt from sanctions.

- Transfers of personal remittances to Iran. U.S. sanctions regulations permit U.S. financial institutions to process noncommercial, personal remittances to Iran. These transactions may include a personal transfer of funds from the United States to Iran to assist a family member or friend, provided that the payment is processed through a third-country financial institution before reaching Iran, i.e., not a direct transfer from a U.S. bank to an Iranian bank, which is a prohibited transactions under current U.S. law.

- Favorable licensing policy for certain projects benefitting the people of Iran. OFAC also administers a favorable licensing policy for projects and activities in or related to Iran that are designed to directly benefit the Iranian people in the areas of democracy and human rights and academic and cultural exchange programs. This means that OFAC will interpret its regulations to allow such projects and activities to the greatest extent permitted by U.S. law.

- Expedited application process for certain activities benefitting the people of Iran. OFAC recently adopted an expedited application process for certain categories of U.S. persons, including entities receiving funds from the Department of State to engage in the proposed activity, the Broadcasting Board of Governors, and other appropriate agencies of the U.S. Government, seeking to engage in certain human rights, humanitarian, and democracy-related activities with respect to Iran.

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- Disaster Assistance. At times of crisis and tragedy in Iran, the U.S. Government has implemented policies to facilitate expedited humanitarian assistance to Iran. For example, in December 2003, OFAC issued a temporary authorization that allowed U.S. persons to make donations to nongovernmental organizations to aid those affected by the Bam earthquake in Iran. In response to Iran's recent earthquakes of August 2012, OFAC issued a similar temporary authorization allowing U.S.-based non-governmental organizations to transfer funds related to earthquake relief efforts to or for the benefit of persons in Iran.

For third-country financial institutions:

U.S. policy does not prohibit the involvement of third-country financial institutions in the processing of funds transfers to or from Iran pertaining to authorized or exempt transactions, subject to certain exceptions. For example, OFAC's general license for the transfer of personal remittances broadly allows third-country banks to handle the transfer of funds to or from Iran, unless certain prohibited partners are involved, such as a financial institution designated under OFAC's WMD or counter-terrorism authorities. In addition, U.S. sanctions law contains explicit exceptions that allow foreign financial institutions to conduct or facilitate transactions for the sale of agricultural commodities, food, medicine, or medical devices to Iran without penalty, as long as the transaction does not involve a designated entity or otherwise proscribed conduct. **Third country institutions may contact OFAC's Compliance Office at 1-800-540-6322 to clarify sanctions concerns regarding humanitarian transactions with Iran.**

II. PROCEDURES FOR LICENSE APPLICATIONS AND OTHER CLARIFYING GUIDANCE

The guidance provided below is intended to assist U.S. persons seeking an OFAC license for humanitarian assistance and related export activities requiring specific license authorization. In addition, it provides guidance for those seeking to determine their eligibility to engage in activities already authorized by general license or that are exempt from sanctions. Further instructions on applying for a specific license from OFAC may be found on OFAC's FAQ page. Please note that there are no application fees.

- **Exportation or re-exportation of agricultural commodities, medicine, and medical devices to Iran:** As noted above, the exportation or re-exportation to Iran by U.S. persons of most food items, and certain medicine

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and basic medical supplies, are generally authorized and can occur without further specific authorization from OFAC. For the exportation or re-exportation to Iran of agricultural commodities, medicines, and medical devices that do not fall under the general authorizations, OFAC will consider specific license applications on a case-by-case basis. Anyone considering engaging in a transaction involving food, medicine or medical devices is advised to consult sections 560.530 and 560.532 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (the ITSR). [Guidance on how to apply for a TSRA license can be found here.]

Although OFAC regulates exports of agricultural commodities, medicines, and medical devices to Iran, Americans interested in exporting agricultural commodities, medicines, and medical devices to Iran should consult the Department of Commerce's Bureau of Industry and Security (BIS) to determine commodity classifications for exports in these categories, as only items classified as EAR99 under the Export Administration Regulations are eligible for such exportation.

- **Donations of humanitarian articles:** Donations of food and medicine by U.S. persons intended to relieve human suffering are exempt from the sanctions on trade between the United States and Iran, provided such donations are not to the Government of Iran, Iranian financial institutions, or any other person whose property and interests in property are blocked. [Additional information on food and medicine donations to Iran can be found here. Please note that donations of humanitarian articles are separate and distinct from the disaster assistance referenced above in Part I.]

- **Personal remittances:** For information on the transfer by U.S. persons of personal, noncommercial remittances to Iran, please refer to section 560.550 of the ITSR. Personal remittances to Iran may involve those Iranian financial institutions whose property and interests in property are blocked solely pursuant to the ITSR and are not owned or controlled by the Government of Iran. [Additional clarification is also provided on OFAC's FAQ page.]

- **Democracy and human rights in Iran and academic and cultural exchanges:** For U.S. persons, information on the specific licensing of projects and activities related to Iran designed to directly benefit the Iranian people in the areas of democracy and human rights in Iran, and academic and cultural exchanges, can be found at section 560.545 of the ITSR.

- **Statement of Licensing Procedure in Support of Human Rights-, Humanitarian-, and Democracy-Related Activities with Respect to Iran:** This statement contains procedures established pursuant to the Iran Threat Reduction and Syria Human Rights Act of 2012 (TRA), which was signed into law by the President on August 10, 2012. The guidelines of the procedure can be viewed here. [Additional clarification is provided on OFAC's FAQ page.]

Guidance for U.S. parent companies regarding foreign subsidiaries: Consistent with Section 218 of the TRA, Section 4 of Executive Order (E.O.) 13628 prohibits foreign entities owned or controlled by a United States person from knowingly engaging in any transaction prohibited by the ITSR, E.O. 13599, Section 5 of E.O. 13622, or Section 12 of E.O. 13628, and provides for civil penalties on the U.S. parent or controlling company for any such violations. However, foreign entities owned or controlled by U.S. companies may be eligible to engage in humanitarian assistance and exports to Iran. For further information, please refer to OFAC's FAQ page.

For further detailed information or guidance, please contact OFAC's hotline at 800-540-6322 or 202-622-2490.

Chairman ROYCE. I will make a quick announcement here. Members, following this committee hearing, Ambassador Sherman and Mr. Cohen will make themselves available to answer questions requiring a classified setting. We will do that in the SCIF. Everyone is encouraged to attend. We will go now to questions.

I am encouraged by the fact, actually in both testimonies of Ambassador Sherman and yours, Mr. Cohen, that you express a willingness to work with the committee to continue to give the administration more options to pressure the Iranian regime. However, turning to the P5+1 negotiations that you referenced in your written testimony, I know that many committee members were concerned to read in the press that we had been offering to ease precious metal sanctions. And as you put it, Mr. Cohen, in your testimony, Iran is desperate for sanctions relief. So now is the time, we feel, to step up the pressure. And on that note you testified that we will actively investigate any sale of gold to the Iranian regime.

With its currency now in free fall, the Iranians desperately need to acquire gold, and as you note, you have an Executive Order that would allow you to target those who would provide gold to the regime. As of July 1, the law will allow you to go after those providing gold to anyone inside Iran.

There have been reports that there has been a pickup in gold sales, and that is the question I want to ask of you. Who specifically have you sanctioned for gold or related transactions with the Government of Iran, and given that the transfer of any precious metals or gold to Iran will be in violation of U.S. law after the 1st of July, what is the Obama administration going to do before July 1 to prohibit transfer of gold to Iran?

Mr. COHEN. Mr. Chairman, we are obviously aware of those reports, and we are tracking very closely the sale of gold to Iran, because, as you note, as of last July the Executive Order adopted by the President makes sanctionable the sale of gold to the Government of Iran.

We have been very clear with our counterparts around the world and with the private-sector actors that this provision is one that we take very seriously and that we intend to enforce, and I can assure you that we are looking very, very carefully at any evidence that anyone outside of Iran is selling gold to the Government of Iran.

If I could have just one more moment, I think there is some important information on this topic that I want to share with you in the closed session afterwards that I think bears on your question.

Chairman ROYCE. Okay. We will look forward to that.

There is a new report that estimates that between July 2012, when the Executive Order was signed, and last month, Iran received over $6 billion in gold. Now, that is about 10 percent of Iran's total $60 billion oil exports for 2012. So for the first quarter of this year, gold exports to Iran amounted to $1.33 billion.

The other question I would just ask you is what action is the Obama administration prepared to take against Turkey's state-owned bank, Halkbank, whose continued business dealings with Iranians through gold fly in the face of international sanctions?

Mr. COHEN. Mr. Chairman, this administration, I think, has demonstrated that it will apply our sanctions without fear or favor. We have applied sanctions to persons and entities in countries that

are our allies, in countries that are not so much our allies. We pursue the facts, we pursue the evidence, and we will continue to do so.

With respect to the gold provision in the legislation that goes into effect on July 1, we have also been out around the world making certain that anybody who is engaged currently in the sale of gold to Iran, to the private citizens in Iran, understand that as of July 1 any sale of gold to Iran, whether to the government or to private citizens, is sanctionable under the new provision that goes into effect as of July 1. We have been clear that that July 1 date is a real date, and that after July 1 any sale of gold to Iran is something that we will pursue vigorously.

Chairman ROYCE. Let me go to Ambassador Sherman for a question.

Last month's talks in Kazakhstan did not seem to achieve any progress toward curbing the ambitions in Iran toward their weapons, and in response Secretary Kerry said the talks cannot be allowed to become a process of delay. We have heard similar statements over the last 5 years, yet, of course, we continue to talk, and Iran continues to enrich.

I was going to ask you about press reports that have indicated that the P5+1 offered to ease some level of sanctions on Iran if it demonstrated seriousness. In order for Iran to receive relief from the U.S. sanctions, what actions, then, are we demanding of Tehran, and is it still the position of the U.S. that Iran must suspend all nuclear activity as required by several U.N. Security Council resolutions? I don't think we are relenting on that. Let us hear from you.

Ambassador SHERMAN. Thank you very much, Mr. Chairman.

Indeed, the ultimate goal of any negotiation is that Iran come into full compliance with U.N. Security Council resolutions, as you suggest. So that is the goal. What we have put on the table, and did so a couple of meetings ago with Iran in Baghdad, was a proposal that is a confidence-building measure to address their over 5 percent enriched uranium efforts, their stockpiles in Fordow, in return for very, I must say, small but with some meaningful actions in the sanctions regime, as well as to assist in a couple of other efforts around nuclear cooperation, in part to follow through on the safeguards that are necessary.

We did this because we want to get some time to negotiate a comprehensive agreement to come into full compliance, and that takes time, as you know, Mr. Chairman, because you understand this problem quite well. Stopping their nuclear program and all the components of it is a very highly technical matter. And so everything that we do takes a lot of implementation, a lot of monitoring and verification to ensure that there is compliance.

When we were at Almaty this last time, it was much better in process terms in that there were quite substantive discussions, all on the nuclear program, all on the elements of the nuclear program we have been discussing, and quite a bit of direct back-and-forth with each one of us, including with me. And as Secretary Cohen indicated, for the first time Iran evidenced their concern about sanctions and the need for sanctions relief to come into compliance.

So it is a measure of the importance of sanctions, no doubt about it.

But the P5+1, we are entirely united. We thought that what Iran offered in response to our confidence-building measure was far too little. As one of my colleagues put it, we are on 100-kilometer—this was a European—a 100-kilometer effort. Our confidence-building measure maybe is 20, 25 kilometers along the way, and we thought our package was balanced with 25 kilometers in return. To be generous, Iran put 5 kilometers on the table and wanted 75 to 100 kilometers in return, and that is not going to happen.

Even though some of my colleagues in the P5+1 obviously have a variety of views, we stood united. We told Iran we could not schedule another meeting until they went back and talked to their government and were ready to put more substance on the table. Then we would consider meeting again. And, indeed, that is the message that the High Representative is delivering at dinner tonight, to see what the Iranians are coming to the table with and whether it is worth pursuing a meeting.

The one last thing I want to say is we must ensure that we do everything we possibly can to show that diplomacy has or has not worked, because whatever actions we ultimately may have to take will require international support. So we must show that we have taken every last opportunity at a peaceful solution.

Chairman ROYCE. Thank you, Ambassador Sherman.

We will go to Mr. Engel of New York.

Mr. ENGEL. Thank you, Mr. Chairman.

I want to piggyback on a couple of the chairman's questions.

Can you confirm whether Turkey continues to send gold to Iran in exchange for natural gas?

Mr. COHEN. Congressman, there is no question that there is gold going from Turkey to Iran. In large measure what we see is Iranian citizens purchasing gold as a way to protect themselves from the declining value of the rial. So in some respects this gold trade that we see that is increasing is a reflection of the success of our sanctions in driving down the value of the rial.

With respect to whether Turkey is paying Iran for its gas imports in gold, we can go into this in greater detail in the closed session, but I think the short answer to that is we do not see that occurring.

Mr. ENGEL. Wouldn't you agree—I mean, I would think that such an arrangement is a violation of U.S. law. Wouldn't you agree?

Mr. COHEN. I think it would be.

Mr. ENGEL. Thank you.

We talk about Iran, Ambassador Sherman, you mentioned that they weren't really putting much on the table, and that was the message that Lady Ashton is going to be conveying today at that talk. At what point, though, do we say, enough? You know, I know it is a difficult question, obviously, because there are a million nuances, but when will the administration no longer consider diplomacy to be an option? At some point I think obviously we need to make a judgment on that.

Ambassador SHERMAN. Sure, and we make those judgments on a constant basis every time we sit down to talk with the Iranians.

Congressman, what I would say is that the President has said that he believes there is still time for diplomacy, as does Secretary Kerry. In fact, our close ally, Israel, the Prime Minister of Israel has said there is still time for diplomacy.

But we all know that the clock is ticking, and in our classified session we can talk about more the various clocks that are ticking and at what point we will even increase our concern beyond what it is today. But I don't think the time has run out yet for diplomacy, and as I indicated to the chairman, we have to give it every effort. The world needs to know we have tried in every way to reach a peaceful solution.

Mr. ENGEL. Thank you.

I want to ask a question about Russia. How cooperative is Russia regarding Iran sanctions and other aspects of the Iran issue? Have our disagreements with Russia over Syria affected our ability to cooperate with them vis-à-vis Iran? Let me ask you that question, and then I have a follow-up question.

Ambassador SHERMAN. Sure.

We actually have a very, very good working relationship with Russia when it comes to Iran. They are obviously producers of oil, so oil has not been an issue with Russia. They are, in fact, enforcing the U.N. Security Council resolutions and have not come into conflict with us on our unilateral sanctions.

Sergey Ryabkov, who is my counterpart in Russia, is quite a terrific professional. He represents his country's interests vigorously, but works in a very united fashion with the P5+1 in a very professional manner.

Mr. ENGEL. I am concerned with Russia's support for Assad in Syria. In your view, why is Russia backing Assad so strongly even at the cost of their reputation in the Middle East and fanning the flames of Islamic extremism? Is it primarily to show themselves to be an alternative to the U.S.? Because recent reports have shown that Assad is gaining, and my fear is that we could end up with an Assad regime, just without Bashar Assad at the helm.

I believe that the falling of Assad would be a blow to Iran, because Assad is obviously Iran's proxy, weapons going from Iran through Syria into Lebanon, weapons that Israel just took out, but that has been a constant. So what is Russia doing? Is it primarily showing themselves to be an alternative to the United States?

Ambassador SHERMAN. Well, I think, Congressman, Russia has many both geostrategic and commercial interests in Syria, and Syria has been its anchor in the Middle East, and so it has a lot invested.

I don't believe, as Secretary Kerry has noted after his meeting with President Putin and Secretary Lavrov, that Russia is necessarily tied to any one individual in Syria, but rather wants to protect its interests in Syria. I think that it is a positive thing that the United States and Russia, under the auspices of the U.N. and working with partners and allies around the world, are moving to organize a Geneva II to have the opposition sit down with representatives of the regime to get to a transitional government with full executive powers by mutual consent. And by that very definition, it will not include Assad, because the opposition would never consent to Assad being part of that transitional government.

So we think this is a positive thing. There is no cease-fire attached to this. The actions on the ground will continue. I think that both General Idres and the Syrian opposition coalition are trying to organize and strengthen their efforts. There are many players in the world that are helping them to do that. We are with nonlethal means. So I think that we are on a path working with Russia to get to a better place and to end the violence that has cost at least 82,000 lives, millions of refugees and internally displaced people, and horrific attacks.

Mr. ENGEL. Let me just say in conclusion, I really believe that we have a vital national security interest in ending the strategic relationship between Iran and Syria and severing Hezbollah's lifeline to Tehran, and I hope we all continue to work toward that goal.

Ambassador SHERMAN. I quite agree.

Mr. ENGEL. Thank you.

Thank you, Mr. Chairman.

Chairman ROYCE. We go now to Ileana Ros-Lehtinen of Florida.

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

As you know, for years this committee has led the Congress in efforts to stop Tehran's nuclear progress. We have enacted several rounds of sanctions, legislation that has worked to stun the regime, exacting pain on Iran's economy.

Under Secretary Cohen, I would like to commend and applaud the Office of Terrorism and Financial Intelligence for its work in enforcing and improving sanctions on the Iranian regime. Last week Treasury designated an Iranian financial institution, the Iranian Venezuelan Bi-National Bank, using authorities aimed at freezing the assets of proliferators of weapons of mass destruction and their supporters. Keep it up. Thank you.

For years I have been concerned about Iran's increased efforts in the Western Hemisphere, especially the strong footprint that it continues to have in Venezuela. Several Presidential candidates in Iran right now have arrest notices issued by Interpol because of their participation in the bombing of the AMIA Jewish Community Center in Argentina. What further actions can your Department take to discourage Iran from using Venezuela, and from getting into other countries to circumvent U.S. sanctions? What is your assessment of Iran's activities in the Western Hemisphere?

We have got to continue to ensure that companies or financial institutions that are violating U.S. sanctions are not overlooked, are held accountable, but I have been more than dismayed by the lack of urgency from the administration on this threat to our national security, and the security of our ally, the democratic Jewish State of Israel, that is in jeopardy.

Without learning from the mistakes that we have made with the North Korean nuclear program and the Six-Party Talks, the administration still believes that Iran can be disarmed with diplomacy. It views Iran's nuclear program through rose-tinted glasses, refusing to see what is self-evident to all: Diplomatic overtures have not and will not ever work with Iran.

Ambassador Sherman, when you testified before this committee in October 2011, you said correctly, sanctions are most effective when they are severe and when they are enforced. Yet 2 years later

the administration continues its engagement policy. Do you believe that engagement with Iran will yield positive results? What concessions has the administration offered to keep negotiations on the table, if any?

And the latest round of P5+1 negotiations with Iran have ended in failure yet again, as you pointed out. The only thing that has changed is Iran being closer to nuclear weapons capability. It is like Charlie Brown and the football. When will the administration learn that Lucy will still pull that football away?

I agree that sanctions must be fully and vigorously enforced. Why then does State continue to not fully implement certain sanctions? Why do you provide waivers on others, like repeatedly providing 20 sanction waivers to countries buying Iranian crude oil?

Also this week the administration announced that the U.S. will not participate at the ambassadorial level in the upcoming conference on disarmament upon hearing that Iran is set to chair this session, but stopped short of saying that we will withdraw completely, and so we miss yet another opportunity to bring about change at the U.N. Iran chairing the disarmament conference is like allowing the inmates to run the prison. We should make it clear to the U.N. that it must immediately remove Iran from chairing this conference, bar it from attending, or lose U.S. support and funding. Will we ever do that?

I will start with you, Mr. Cohen, 1 minute.

Mr. COHEN. Well, first, Congresswoman, let me say thank you very much for your kind words. I know that for the hundreds of dedicated career civil servants who work in the Treasury Department, what you have to say is very much appreciated, and I appreciate your words.

With respect to the actions that we take in Venezuela, and the Western Hemisphere more generally, as you note, we designated the Iranian Venezuelan Bi-National Bank last week. We have in the past designated IRGC-related entities that are involved in the construction industry in Venezuela.

We are very much focused on any efforts by Iran to expand its footprint in South America and Central America. Whether it is through the IRGC, through their intelligence services, through their efforts to export oil, whatever it may be, this is something we are tracking extremely closely and are poised to respond.

Ms. ROS-LEHTINEN. Thank you very much. My time is up. Thank you, Ambassador.

Chairman ROYCE. We will go now to Mr. Sherman of California.

Mr. SHERMAN OF CALIFORNIA. First let me say that there is no contradiction among those of us who believe in maximum sanctions and continued negotiations. In 1918, we negotiated with the Kaiser's Germany while not only sanctioning, but also waging all-out war.

The sanctions we have now are clearly insufficient, but they are stronger than the ones we had 3 years ago, which begs the question why weren't we doing 10 years ago, 15 years ago what we are doing today, certainly after 2002 when we were aware of the Iranian nuclear program? The reason for that is that there have been advocates in the last three administrations of soft sanctions, of "be nice to them, and they will be reasonable to us."

And I don't know what our policy is now. I know that more sanctions are going to require methodology and technical work. We have to think of new ones. You have to get them applied. But we first face the policy issue. Do we want strong sanctions, or do we want "pedal to the metal, absolute everything we can do" sanctions? I heard from Mr. Cohen about increasing sanctions. Gee, shouldn't we have them at the pedal-to-the-metal level now? And I wonder whether there is still support in the foreign policy agencies for being less than totally tough on Iran, or is it our policy to be absolute pedal to the metal, to sanction and pressure the Iranian Government and economy in every way we possibly can as we develop new methodologies?

Are we being softer than maximum in an effort to curry favor with Iran? Ambassador Sherman?

Ambassador SHERMAN. Congressman Sherman, we are absolutely pedal to the metal, because it is a dual-track policy——

Mr. SHERMAN OF CALIFORNIA. Thank you. I don't know whether Mr. Cohen has a response as well.

Ambassador SHERMAN. I just want to, if I may, sir, add one thing to that. We have to be pedal to the metal, but make sure that the pain is felt on Iran first and foremost. So we have to do it in a way that makes sure that as we work with our friends and allies around the world, they are not getting more pain than Iran is. And I know you are working carefully with us to do so.

Mr. SHERMAN OF CALIFORNIA. Okay. Let us see about pedal to the metal.

Mr. Cohen, we have got the Bank Kunlun of China, which has been sanctioned, but it doesn't do any business with the United States, so the sanction is meaningless. Its parent corporation is the China National Petroleum Corp., which does do business with the United States and has not been sanctioned. Are we in effect telling all of international business, you can do all the business you want with Iran, as Kunlun Bank has, just do it in a separate subsidiary so your parent corporation can do business in America, and you will have a separate subsidiary to do business with Iran?

Are we going to sanction China National Petroleum Corp., or are we just going to say, you can do business with Iran; just set up a separate subsidiary?

Mr. COHEN. Congressman, the sanction against Bank of Kunlun has had real effect. As you know, Kunlun did not have any corresponding accounts with the United States, but it did have a number of corresponding accounts with other banks around the world.

Mr. SHERMAN OF CALIFORNIA. Mr. Cohen, if I can reclaim my time, it is obvious that the sanctions could be much tougher and much more significant. You can say there was some slight effect on Bank of Kunlun, but why have we not sanctioned the China National Petroleum Corp., which would obviously have a much bigger impact than the little bit of impact that may or may not have occurred with regard to Kunlun?

Mr. COHEN. The conduct at issue that led to the sanction of the Bank of Kunlun was transactions by a financial institution with designated Iranians banks. We applied sanctions to the Bank of Kunlun, and then we went to every one of Kunlun's correspondents around the world and——

Mr. SHERMAN OF CALIFORNIA. Mr. Cohen, you are not answering the question. Why haven't we sanctioned China National Petroleum Corp., the parent corporation?

Mr. COHEN. Well, the technical answer, Congressman, is that the authority to sanction Bank of Kunlun is an authority to sanction a financial institution. That is the authority we have.

Mr. SHERMAN OF CALIFORNIA. So are you going to be advocating in our next bill that we give you any authority you might need? Is the administration in favor of giving you the tools to sanction the China National Petroleum Corp.?

Mr. COHEN. I think the answer, Congressman, is what Ambassador Sherman——

Mr. SHERMAN OF CALIFORNIA. Let me sneak in one more question, and that is why haven't we sanctioned all Iranian banks? You have done 23. Why haven't you done the rest?

Mr. COHEN. We have sanctioned 28 Iranian financial institutions. We have sanctioned those institutions where we have evidence that they have either supported Iran's nuclear program or supported its international terrorist activity. Every single one of the banks for which we have evidence, we have applied that.

Mr. SHERMAN OF CALIFORNIA. Excuse me. All these banks are operating under the regulation and control of the Iranian Government, which is a terrorist organization. You should sanction all the banks immediately. If you are going to have to wait for a smoking gun on every Iranian bank, all they have to do is create three or four more, and they can continue to do business. Every bank that responds—if you are going to say you are pedal to the metal, you got to do all Iranian banks, not just say, well, they created a new one, and we don't have a smoking gun for that one yet.

I believe my time has expired.

Chairman ROYCE. We go now to Mr. Smith of New Jersey.

Mr. SMITH. Thank you, Mr. Chairman.

Thank you, Ambassador Sherman, for raising the issue of the Levinson, Abedini, and Hekmati cases, which are very, very important.

A few weeks ago Naghmeh Abedini testified before a Lantos Commission hearing that Frank Wolf chaired and said that she had asked the State Department for help, and she said they told her, nobody can do anything for you. All of us welcomed with gladness and gratitude when Secretary Kerry made a very strong statement on behalf of Saeed Abedini, an American pastor who is now in prison. I wonder if you could update us as to exactly how he is doing and what has been done to try to effectuate his release.

Ambassador SHERMAN. Thank you.

We remain very concerned about Mr. Abedini. He was spearheading, as some of your colleagues may not know, the construction of an orphanage in 2009 when the Revolutionary Guard detained him and threw him into prison. And it really is an incredible outrage. And as you noted, on March 22, Secretary Kerry issued a statement expressing his concern over reports that Mr. Abedini had suffered physical and psychological abuse in prison; that Iran had continued to refuse consular access by Swiss authorities, who is our protecting power in Iran; and calling for his immediate release.

We condemn, and I will again here today, Iran's continued violation of the universal right of the freedom of religion, and call on the Iranian authorities to respect Mr. Abedini's human rights and release him. I quite understand why his family feels that not enough has been done. As a wife, as a mother, if one of my children or my husband were in a prison, I would never think there was enough until they were home safe and sound with me.

Mr. SMITH. Thank you. I appreciate that very much.

In December, Secretary Clinton renewed an exemption to our Iran sanctions that targeted Chinese financial transactions with the Central Bank of Iran, citing significant reduction of Beijing's purchases of Iranian oil over the prior 6 months. But the publicly available data suggests that no such reduction had taken place.

I would ask you, has it? Will you provide the committee with the data that supports the Department's exemption decisions? And my understanding is we are talking about between 1–1.4 million barrels in totality that are being exported a day. If you could respond to that?

Ambassador SHERMAN. Indeed, China reduced its oil imports from around by 21 percent in 2012 compared to the previous year, and I think, as part of his written testimony, Under Secretary Cohen offered a chart to show the downturn in oil imports overall from out of Iran, exported out of Iran.

In terms of the next exception that China would be eligible for, which comes up in June, we are looking at the data. The data always lags behind. We are waiting for April data, obviously. It will probably be the last month we will get to see. And we will look at that data and make a decision about how to proceed. As you know, China is the largest importer of Iranian oil. Is larger—probably is the largest importer of oil in the world, given its growing development——

Mr. SMITH. Can I ask you on that—only because I only have so many minutes. Isn't the export of Iranian oil to China its lifeline? You know, when you talk about ratcheting up the kinds of sanctions, will it really cause the change?

Ambassador SHERMAN. Indeed. And we press China constantly, and it is significantly reduced because it doesn't want to bear the risk of importing Iranian oil, but its needs are growing and huge. I will say one thing that is very important: Because of the volume, as you point out, is so large, any reduction by China would be as a percentage equal to volume reduction twice that of a reduction by India, three times a reduction of South Korea, four times a reduction of——

Mr. SMITH. But is there a concern that if we really were dead serious and were not looking to provide an exemption and didn't play into the idea of reductions versus elimination, that China would not adhere to the sanctions? Is that a concern?

Ambassador SHERMAN. Well, China, like many countries in the world, even friends and allies and partners, doesn't appreciate what they see as unilateral sanctions. But they are trying to diversify their oil supply, they are trying to reduce their risk. Their energy needs, as you can imagine and as you know well, are enormous.

Mr. SMITH. Very quickly, because I am running out of time. As we all know, Chairman Emeritus Ros-Lehtinen wrote the Iran Threat Reduction and Syria Human Rights Act of 2012, a very comprehensive and significantly strengthening law; it strengthens Iran Sanctions Act and other relevant laws. I could ask you questions about various sections of it because there is so much to it. But part of it directs the President to impose five or more sanctions with regards to vessels. And it also authorizes the President to ban ships from entering a port in the U.S. for up to 2 years if they violate it. Where are we on implementing that part of the sanctions?

Ambassador SHERMAN. We are looking at those. In every one of these cases, and it is true for all of the sanctions, we have to have evidentiary documentation that will stand up in court. And so we are working to do this. And I should note that Secretary Clinton, before she left, and this has been enforced and strengthened even further by Secretary Kerry, named a sanctions coordinator in the State Department because she felt we were not focused enough on the enforcement that we needed to and didn't have a strong enough partner for Undersecretary Cohen, and Ambassador Dan Fried is that coordinator.

Mr. SMITH. Is it proactive or reactive or a combination of both?

Ambassador SHERMAN. It is proactive.

Mr. SMITH. Thank you.

Chairman ROYCE. Go now to Mr. Deutch of Florida.

Mr. DEUTCH. Thank you, Mr. Chairman.

First, as I stated in my opening remarks, I do want to commend you both again for the extraordinary job that you have done on sanctions enforcement.

And Ambassador Sherman, I want to thank you for noting in your testimony that finding my constituent Robert Levinson remains a priority for the department. It is incredibly encouraging for me and I know for his family to hear you say that. And I appreciate it. And I urge you to continue doing all that you are committed to doing.

You said that in your testimony that you are looking for signs that Iran is serious about talks. And I want to ask you what those signs are. But I want to walk through how we have gotten to this point first. Since the 2009 elections in Iran, there have been nine political-level meetings between the P5+1, plus a 15-month break between 2011, 2012. That number doesn't include technical-level meetings or meetings like today's between Lady Ashton or the where the U.S. isn't present.

At the end of the 2010 Geneva talks, State Department spokesman said that he hoped it would be the start of something serious. In 2011, in Istanbul, a Western diplomat was quoted as saying, "The meeting was about finding out if Iran was serious about negotiating and that hasn't been answered yet."

Fast forward to April of last year, after talks in Istanbul, when Catherine Ashton called them "the start of a sustained process of serious dialogue." And by June of last year, after talks in Moscow, Secretary Clinton said that "there are gaps on each side; the choice was Iran's to close those gaps." In your testimony, you said that after the April talks in Almaty that you didn't feel another round of meetings of P5+1 was necessarily warranted. So some have sug-

gested that Iran won't be serious about negotiating until after its elections. Couple of questions. Are we willing to wait until the end of the summer for another round of talks? And, how can we tell if they are serious? Is there a difference between sustained political dialogue and negotiations? Is talking for the sake of talking getting us any closer to Iran giving up its nuclear program? If you could try to respond to those, I would appreciate it.

Ambassador SHERMAN. All very good questions, Congressman. In terms of the election, we assess—and we can talk about this further in the closed session—that there is one decision maker when it comes to Iran's nuclear program, and that is the Supreme Leader. And he will remain the Supreme Leader after the June 14 Presidential election. So, in absolute terms, the election will make no difference. The election may make some difference, however, to the extent that, depending upon who is elected and what their economic—domestic, economic situation looks like, may put pressure on the attention, the time and the focus and the efforts by the Supreme Leader to hold onto the regime. We don't know what the outcome will be, so we don't know what impact it will have on his nuclear decision-making.

As I said, or implied, we do not believe the Supreme Leader has yet made the strategic decision to make the deal that needs to be made with the international community about Iran's nuclear ambitions. What will make him make that change? I believe it will be a combination of very severe, very well enforced international sanctions led by the U.S. and the European Union, but internationally enforced. And it will come about because the Supreme Leader will decide that the risk to his survival is too great and that he wants to show his people that their economy will improve.

Mr. DEUTCH. So let me ask you. Let me just put something on the table that has not been discussed. Every discussion that we have about stopping Iran's nuclear weapons program says that we have to have the toughest possible sanctions coupled with a credible military threat. Every discussion. And I acknowledge that we have worked hard to do both.

The question is, the credible military threat, if it is credible, means that the possibility of military action, with all that that entails, between where we are now and the use of military force, it seems there is also the most extreme form of economic power that we could wield, which would be a full-scale international embargo with the necessary carve outs for humanitarian aid. That is never discussed. Yet we seem okay to talk about the military option. Is that something that should be on table for the Supreme Leader to understand that we are serious about this?

Ambassador SHERMAN. We have all, in fact, discussed this, and I know you have discussed it up on Capitol Hill. And we have discussed it with some of our allies and partners. It is a very complex undertaking because it requires the international community. There are some legal issues involved with taking such action. I think that we are going as far as we possibly can go in working with Congress. We will see what other sectors we can, in fact, sanction and endorse and to move forward with. And I think we can ratchet up the pressure probably without confronting some of the

difficulties and achieving what we have discussed, and that is whether that is a viable option.

I think the other thing we have to do is look at whether there is any other way that Iran could find itself out of the quagmire it has created for itself. And the President has long said that if Iran ever, ever meets its international obligations, as President Bush said as well, they have a right to a peaceful civilian nuclear program under the NPT. And of course, there would have to be additional safeguards and monitoring. And if, in fact, the Supreme Leader means what he says by the fatwa that Iran does not—shouldn't have a nuclear weapon because it is not allowed by his declaration by the fatwa, then they have a way to show that is the case.

Mr. DEUTCH. Ambassador, I would just simply suggest that all of the difficulties that may come with analyzing how to impose the maximum level of sanctions pale in comparison to the difficulties the international community would face if Iran became a nuclear power. That is just something that I would remind you of.

I yield back. Thank you Mr. Chairman.

Chairman ROYCE. We will go now to Mr. Rohrabacher of California.

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

And I want to thank our witnesses for coming here. I will have to say that several of the issues that I planned to ask about have been covered.

I want to congratulate some of my friends, even on the other side of the aisle. Mr. Sherman certainly looked at an issue that I was concerned about and continue to be concerned about.

Let me see if I get this right. At this point, China is not—has not been given a waiver in its relationship to buy oil from Iran? Is that correct? So China——

Ambassador SHERMAN. It is not a waiver; it is an exception. Because the idea of the NDAA and of the oil sanctions is that if a country significantly reduces their importation of Iranian oil, they get an exception from other sanctions that could be imposed upon them if they weren't making those significant reductions. So China will be up for another 180-day exception if they have continued their reductions on the beginning of June.

Mr. ROHRABACHER. And how much oil has been reduced, consumption, China?

Mr. SHERMAN. We do not know yet because the data is not all in for the month of April, which will be the last month we will be able to look at before——

Mr. ROHRABACHER. What has given you the reason for—yes.

Ambassador SHERMAN. For the first 180 days, they did do a significant reduction of 21 percent. That was based on a great deal of information, including publicly available data.

Mr. ROHRABACHER. So you are convinced and we are convinced that the Chinese have significantly decreased their consumption of Iranian oil. Is that correct?

Ambassador SHERMAN. They have. And their total volume of the need of oil has gone up. So whatever importation they are doing is a smaller percentage of their total as well.

Mr. ROHRABACHER. No. They decreased their actual consumption.

Mr. SHERMAN. Yes. They have. And we will see whether they have in the second 180 days as well.

Mr. ROHRABACHER. I am not talking about some complicated formula here. Their consumption of Iranian oil has decreased. Is that correct?

Ambassador SHERMAN. Yes.

Mr. ROHRABACHER. Okay. Thank you very much.

I have been concerned that this administration from day one has not been as tough on the regime in other ways, other than these sanctions, which are debatably tough one way or the other.

But, for example, in support of those people who opposed the regime, it appears to me that we have sent the wrong message if we want to encourage those who oppose the regime. And, for example, you see some people out here in these yellow coats. I think that they represent the MEK. They recently have been pushed into a camp in Iraq, which I am sure you are aware of. And that camp was recently attacked. Do you think that the mullah regime in Iran has played any role in trying to initiate these types of attacks on the MEK, which I might add is an exiled group that is unarmed?

Ambassador SHERMAN. Congressman, I am very, very concerned about the people in Camp Liberty.

Mr. ROHRABACHER. Right.

Ambassador SHERMAN. And we are concerned about the threat to their lives.

Mr. ROHRABACHER. And do you think the Iranian Government has played a role in initiating these attacks?

Ambassador SHERMAN. We can talk about that in the classified session.

But what I will say, Congressman, is there are opportunities for the people of Camp Liberty to resettle. There have been offers made by countries like Albania to take many of them. And, to be very frank, Congressman, the leadership of the MEK, both in Camp Liberty and in Paris, has kept the people of Camp Liberty from knowing what their options are. And I so care about their lives and the threat to their lives in the camp that I hope that the leadership of the MEK will allow them to know their options.

Mr. ROHRABACHER. My time is going up. And it is interesting that you spent your time that you just allocated attacking the victim instead of the person who—instead of the people launching rockets into an unarmed group of exiles, you spent your time attacking the exiled leader.

Ambassador SHERMAN. No. I am actually—I actually want to protect that from that.

Mr. ROHRABACHER. I have got 23 seconds left. And I am sorry that is the way we have to do it here.

I would give you an extra 10 minutes if I could.

But let me just note—what I just said is in keeping and consistent with the fact that after the Green Revolution, which you have noted was a response, these demonstrations in response to a corrupt election, and a brutalization of those people who managed to speak up, that we did not impose great hardship on that regime. I didn't hear us step forward at that time.

They were chanting in the streets, "Which side are you on, Mr. Obama?" They didn't know which side the United States was on.

And if we are going to have the people of that country eliminate this threat to the entire world, which is their responsibility and our responsibility to help, we have got to show more strength than that. We have got to be doing more than attacking the victim or ignoring the victim.

And the last thing, we don't even have our broadcasting to Iran in Azeri and Beluch, languages that could resonate with the people who oppose that regime.

There is a lot more we could be doing, Madam Ambassador. I appreciate the good job that you are trying to do, and we will cooperate with you.

Ambassador SHERMAN. Thank you.

Chairman ROYCE. We go now to Mr. Cicilline of Rhode Island.

Mr. CICILLINE. Thank you, Mr. Chairman.

And thank you to our witnesses.

I think it should be clear that everyone on this committee, and I think everyone in Congress who has given this thought, recognizes that a nuclear Iran is a threat to the peace and stability of the region and, frankly, peace and stability of the world.

And I appreciate the seriousness of the sanctions effort that both of you have exhibited and the excellent work that you have done and the bipartisan approach that Congress has taken to this issue.

And I would like to ask you both, first and foremost, to follow up on Congressman Deutch's question, you know, as we ratchet up sanctions, which, of course, we need to do, while we are engaging in activities, so is Iran. And so I wonder if some of the recommendations that some have made about, for example, a complete ban on international lending, with the International Monetary Fund withdrawing all holdings in Iran's Central Bank and suspending Iran's membership in that body, whether sanctions, which would include virtually all trade with Iran, with the exceptions of food and medical products, whether or not we should be at least actively pursuing those and talking about that kind of set of sanctions, whether that would significantly increase our leverage. Because I recognize we want to continue to hope that diplomatic efforts will work, but for those who are looking at this from outside, it may appear that we just ratchet up a little, and it is going to be too late because we get—so I would love to hear your thoughts on whether or not an approach that would look at more comprehensive and a complete kind of isolation of Iran ought to be the goal, knowing that is complicated to achieve but would take some time but for Iran, Iranian leadership to see it as a real threat.

Then the second question—I will ask both questions and then ask you to answer them—relates really to Afghanistan. There has been some evidence presented that Iranian currency traders are using Afghanistan to acquire U.S. currency, particularly wealthy Iranians. And that the Iran-owned bank in Afghanistan, Arian Bank I believe is the name, is being used to facilitate this. And, in fact, the Special Inspector General for Afghanistan Reconstruction reported in late January 2013 that Afghan security forces might be using some U.S. funding for the purchase of fuel from Iran. That would, obviously, I think, be very disturbing to learn. So I would like to know what the status of that is and how we might be prevent that from happening.

And thank you again for being here.

Mr. COHEN. Congressman, your first question about how to ratchet up sanctions is a very good one. And I am going to try to answer it succinctly. Because I think there are two different threads that need to come together here.

On the complete ban idea, I think it is very important to recognize that our financial sanctions, the way that we have locked down Iranian revenue, the way we have cut off access of Iranian banks to the international financial system, is broad based. It is—it affects the Iranian economy across all sectors and has a very significant impact, some of which we have already detailed.

I think it is critically important that we continue to pursue broad-based financial sanctions in that fashion.

The second thread, though, is targeting particular commercial transactions, in particular, sectors of activity in Iran. So the new law that is about to come into effect on July 1, IFCA, targets the energy sector, the shipping sector, the shipbuilding sector. As we look at ways to ratchet up sanctions on commercial activity, looking at it as a sectoral approach on commercial activity makes sense. I think together a sectoral approach with the broad-based financial sanctions work in tandem in a way that really does create a tremendous amount of pressure on the Iranian leadership. Obviously, we are very much engaged with——

Mr. CICILLINE. Is there any reason we shouldn't do all those sectors now, rather than building one after the other?

Mr. COHEN. The question, Congressman, is efficacy. And as we move and look at different sectors, it is important that we target the ones that have a real impact on the Iranians, that we can maximize that impact without, frankly, spending a lot of ammunition shooting at things that have little, little good to be—little impact.

On the—the question of the Arian Bank/fuel issue, if I could, I think it is probably better to talk about that in the classified session.

Mr. CICILLINE. Thank you.

Chairman ROYCE. We will go to Mr. Brooks of Alabama.

Mr. BROOKS. Thank you, Mr. Chairman. I turn to some of the written statements that the witnesses have provided us. And, first, I will read from Ambassador Sherman's remarks:

> "A nuclear-armed Iran would pose a threat to the region, to the world, and to the future of the global nuclear proliferation regime. A nuclear weapon would put the world's most dangerous weapons into the hands of leaders who speak openly about wiping one of our closest allies, the state of Israel, off the map. As President Obama has stated unequivocally, we will not allow Iran to obtain a nuclear weapon, and there should be no doubt that United States all elements of American power to achieve that objective."

Ambassador Sherman, I want to explore what you mean by the phrase "we will not allow," I repeat, "not allow Iran to obtain a nuclear weapon, and there should be no doubt, no doubt that the United States will use"—will use—"all elements of American power"—again, I'll repeat that—"all elements of American power to

achieve that objective." That is very strong language. When you state "all elements of American power," are any of America's military capabilities off the table?

Ambassador SHERMAN. Congressman, I think the President has been very clear that all options are under consideration. I think that everyone in the world would prefer there be a peaceful resolution to this situation. But no one should have any doubt about where the President of the United States stands on this. He will not allow Iran to have a nuclear weapon. He has stood side by side with many of our partners and allies around the world, including Israeli Prime Minister Netanyahu, and said as much. So there is no pulling back from that stance, at all.

Mr. BROOKS. So when you say "all elements," you mean all elements.

Ambassador SHERMAN. I do.

Mr. BROOKS. That being the case, then, is it fair to say that President Obama is prepared to use, if necessary, America's nuclear arsenal to stop Iran from building nuclear weapons?

Ambassador SHERMAN. I think it is probably most useful not for me to elaborate point by point on a situation that we have not yet faced. We have many elements of American military power, and we are able to achieve results in many, many ways.

Mr. BROOKS. Let me go to a second one, although I anticipate you will give a similar response. Then, President Obama is prepared to launch, if necessary, an Iraq- or Afghanistan-style ground invasion in Iran to stop Iran from developing nuclear weapons.

Ambassador SHERMAN. Again, you are quite right, Congressman, we have many ways to fight Iran's efforts to gain a nuclear weapon. And they are wide-ranging, and they are along a very long continuum. And we will look at whatever we need to do to ensure that Iran does not obtain a nuclear weapon.

Mr. BROOKS. Just so that there is no ambiguity about my perception, when you use the phrase of "all elements of American power," to me, that means, if necessary, America's nuclear arsenal or, if necessary, an invasion of Iran ala Afghanistan, Iraq style. So I am not sure if that is what you intended. But that kind of language means that to me, and that is what I was trying to clarify.

Not long ago, I met with Israeli Prime Minister Benjamin Netanyahu in Jerusalem. He said unequivocally that Iran will not, will not get nuclear weapons. My question is, if Israel attacks Iran to destroy Iran's nuclear weapons program, will America back Israel up with direct military assistance in order to ensure, first, that Israel is successful in destroying Iran's nuclear weapons program and, second, to help ensure that Israel is able to protect itself from counterattacks?

Ambassador SHERMAN. I think you have heard the President of the United States say, you have heard Secretary Kerry say, and I will say that we stand shoulder to shoulder with Israel. And Israel's security is important to us as our own security. And I think that you have seen in our support and Congress' generous support Iron Dome, that commitment. In the recently agreed-to new set of weapons sales to Israel that——

Mr. BROOKS. Okay. If I could interject, because I only have 15 seconds left. I understand that Israel is important. But my question is, will we back them up militarily?

Ambassador SHERMAN. We have a relationship with Israel to ensure their security.

Mr. BROOKS. Thank you, ma'am.

Chairman ROYCE. Ms. Lois Frankel from Florida.

Ms. FRANKEL. Thank you very much.

And thank you to the panel.

And, first of all, I want to join with both colleagues commended your activities and the sanctions, economic sanctions in Iran. And I thank you for that.

As many of my colleagues have already stated, Iran is the largest state-sponsor of terror, lending support to Hezbollah, Hamas, and other anti-Western militant groups. Iran's extremist regime is also a gross violator of basic human rights that consistently suppresses political dissent through intimidation, imprisonment, and torture.

And the international community is right to be greatly concerned by the possibility of this, what we hear is a radical, oppressive regime, acquiring the world's most dangerous weapon. I am not going to ask—there have been a lot of good questions today. I think a lot of people don't understand, not necessarily in this room, but that Iran's drive for nuclear weapons is a threat not only to the United States and Israel but to the entire global community. And the question I have is this: Could you tell us in your opinion what you think the effect of Iran getting the nuclear weapon would have on the proliferation of nuclear weapons in the Middle East and any other place in the world, if you could be specific? And how would it, for example, affect negotiations with a country like North Korea?

Ambassador SHERMAN. Congresswoman, I think you make a very important point, which is that we obviously don't want Iran to have a nuclear weapon because of what it might do with a nuclear weapon and how it would use to it project its power in the region and in the world and the kind of world that Iran would want it to be and the insecurity and instability that it would wreak havoc, not only in the Middle East, but much further, I believe. But also what it would mean in terms of additional proliferation. So that one could imagine that Saudi Arabia, Japan, even South Korea, Brazil, South Africa, many countries that had foresworn nuclear weapons might decide for their own security as deterrents that they needed to have a nuclear weapon. And I think none of us would want to imagine a world where there were more nuclear weapons powers as against fewer of them. Indeed, the United States and Russia, which have the greatest arsenal of nuclear weapons, have been on a trajectory to reduce the number of nuclear weapons we have. And as the President said in his Prague speech, it may not happen in his lifetime, but he looks forward to the day when there aren't any nuclear weapons left.

It is ironic, Congresswoman, that we had the last Almaty session, the last two sessions in Almaty, Kazakhstan. Because Kazakhstan, in fact, in the early 1990s, after the fall of the Soviet Union, gave up its nuclear weapons because it thought that it didn't bring them greater security, it brought them more insecurity. And that is indeed the fact for Iran as well. They should see

it in what is happening to them now. They are getting economic insecurity, if not fundamental insecurity, because of their nuclear weapons ambitions.

Mr. COHEN. I would add only that I completely agree with Undersecretary Sherman.

Ms. FRANKEL. Thank you, Mr. Chairman. I would waive the rest of my time.

Chairman ROYCE. Thank you, Mrs. Frankel.

We will go now to Mr. Cotton, who took first place, fastest time, for this morning's charity event benefiting the Wounded Warriors. And I will mention in addition the Cottontail Rabbits, which included bipartisan staff from this committee, also won top prize as fastest team.

Mr. Cotton.

Mr. COTTON. Thank you, Mr. Chairman. As always, we work in a bipartisan fashion on this committee.

Ms. Ambassador, are there IAEA inspectors at the uranium mines in Saghand and Gachin?

Ambassador SHERMAN. No, not presently. My experts tell me.

Mr. COTTON. Do we know why that is the case, given the IAEA inspector's presence at the other parts of Iran's nuclear supply chain?

Ambassador SHERMAN. The young man who is behind me, Richard Nephew, is a technical expert in this regard, as is Dr. Jim Timbie, who is with me. And the Safeguards Agreement of the IAEA only requires the presence at the most sensitive facilities, where we do have quite an extensive inspection regime. But, indeed, one of the things that we want from Iran through the process with the IAEA is additional safeguards and initial monitoring.

So we certainly understand your point. And, indeed, as I mentioned in my testimony, the IAEA is meeting with Iran today trying to move on a structured approach where they would agree on, in fact, what could then be inspected by Iran—by the IAEA. They have not been able to get that structured approach, protocol agreed to. And there will be a Board of Governors meeting of the IAEA meeting at the end of June, and my suspicion is there will be great disappointment in Iran's responsiveness.

Mr. COTTON. My point being that those start the supply chain. And it is possible that there are conversion facilities, like the one at Isfahan, or enrichment facilities, like the ones at Natanz and Fordow, of which we are not aware. Is that your understanding my point?

Ambassador SHERMAN. I do understand your point. And what I would suggest is that perhaps you—hope your schedule will allow you to join the classified session.

Mr. COTTON. Thank you.

Next question. We talk frequently about sanctions. Then that leads to talk to acts of war. On most occasions, we are talking about an offensive act of war, such as an air strike or a strike with naval gunfire. There are also defensive acts of war under international law, such as a naval blockade. Do you have any assessment on the impact of Iran's economy as a whole or the nuclear program in particular, the effects of a hypothetical naval blockade?

Ambassador SHERMAN. I do not. But happy to discuss it further in the classified session.

Mr. COTTON. Do you have any assessments of the scope and number of scientists working on Iran's nuclear program.

Ambassador SHERMAN. Again, I would save that for the classified session.

Mr. COTTON. I have seen reports of cooperation, scientific cooperation agreements between North Korea and Iran. Those reports suggest something along the lines of the 2002 cooperation agreement that North Korea had with Syria that led ultimately to the destruction of the nuclear site in Syria, 2007. What is the scope of that potential agreement in your assessment?

Ambassador SHERMAN. Again, we can talk further about the detail of any of this in the classified session.

What I will say and it follows up on what Congresswoman Frankel asked as well, we do know that the DPRK watches what happens to Iran, and Iran watches what happens to the DPRK. And we know historically about times where, either directly or through other conduits, there has been cooperation among countries. Everyone is very well aware of the history with Pakistan, for instance, and A.Q. Khan in a network of proliferation. So it is very important, and we think very carefully about where there may be interactions that affect one or the other of these situations. But happy to discuss it further in a classified session.

Mr. COTTON. Shifting slightly somewhat. The President in the past called Syria's use of chemical weapons a potential red line or game changer. Given our reaction now that our intelligence services, as well as those of allied Western governments have confirmed the use, at least on a limited scale, of chemical weapons in Syria, do you see potential for Iran's Government being emboldened to believe that perhaps our words are not as strong as we would suggest?

Ambassador SHERMAN. I actually don't think that is happening at this time. But you are welcome to get the IC's assessment when we do meet in classified session. What I would say is the intelligence community, as we published, has agreed with varying levels of confidence that chemical weapons were used in small amounts in at least two instances in Syria. But having high confidence in the intelligence community, for which I have great admiration, is not in fact all that one needs to take some of the actions that many people have contemplated. And the President wants to be very prudent about the steps he takes, as he should be.

We have unfortunate experience in our history where we have taken action and it turned out that the intelligence assessment was either misinterpreted or not accurate. So I think he is not being very thoughtful about how he is proceeding here. But, rest assured, we are gathering additional data and making additional judgments.

Mr. COTTON. Thank you.

Mr. Cohen, my regrets, but thank you for your service.

Mr. COHEN. Thank you, Congressman.

Chairman ROYCE. Let's go to Mr. Keating of Massachusetts.

Mr. KEATING. Thank you, Mr. Chairman.

Secretary Cohen, thank you for the time you have taken today in your testimony. I would like to follow up on an issue that has

been raised before the Departments of State, Commerce and Treasury by the members of this committee, as well as by members of the Permanent Select Committee on Intelligence regarding reports that two Chinese companies, Huawei and ZTE, have exported millions of dollars worth of sensitive technologies used to restrict and censor freedom of speech within Iran.

In a report issued earlier this year, the U.S. China Economic Security Review Commission referenced the Reuters investigation in which it said that ZTE provided Iran with over $130 million in communication surveillance equipment as well as some U.S. IT products and subsequently agreed to transfer additional embargoed U.S. communication system. Under Section 106 of the Comprehensive Iran Sanctions Accountability and Divestment Act, U.S. Government agencies are banned from procuring goods and services from a company that exports technology to Iran that is used to disrupt, monitor, restrict Iranian nationals' freedom of speech.

Can you provide us with an update as to whether or not the Department of Treasury has found that these companies should be subject to the procurement ban under CISADA? Can you elaborate further on Section 106 and how it can be used to better ensure freedom of speech in Iran? And are there examples of the effective use of this?

Mr. COHEN. Congressman, I am aware of the inquiry as to ZTE and Huawei. In part, I think we should follow up on this in the closed session. But I can say that this is an issue that we have looked at very carefully. We are committed here at Treasury as well as the State Department to implementing—and Congress also has a role in implementing Section 106 of CISADA—in implementing of provision when we find evidence of a violation and taking steps to—that are spelled out in the statute.

More broadly, we have in place number of authorities that address the use of information technology by the Iranian regime to abuse the human rights of its citizens, to affect their ability to communicate, to monitor their activities. We have applied sanctions under what is known as the Gravity Executive Order, which is focused on the abuse of information technology, on close to a dozen entities. And we are looking very carefully at what is coming up with the elections in Iran in the next several weeks to see whether the Iranian Government uses its control over the information networks in Iran in a way that would lend themselves to additional actions under those authorities. So to say we can follow up on this more in the classified session, but this is an issue, the ability of Iranian people to communicate with one another, to do so in a free manner, that is very important to us.

Mr. KEATING. Yes. I look forward to that, and thank you for that. I look forward to the briefing. Because I think that it is not just a human rights issue, which is extremely important, it also undercuts I think the effectiveness of the sanctions, too. When groups can't communicate fully and openly about their perception of the results of the sanctions. And one of the purposes of that is to share that kind of feeling among the citizens there and hopefully have that bring pressure on a more democratic approach and one that certainly will move them away from nuclear procurement. So I look forward to that.

With that, I yield back, Mr. Chairman.

Chairman ROYCE. Thank the gentleman.

We will now need to go to 3 minutes for the remaining members, but we will go Mr. Meadows.

Mr. MEADOWS. Thank you, Mr. Chairman.

And I thank you for not highlighting my time from this morning's run, as I am sure I will be using more Bengay than Mr. Cotton.

I want to go ahead and follow up a little bit on the P5+1 negotiations. And some analysts, Ambassador Sherman, have indicated that as Iran walks away from these negotiations, the deals typically get sweeter. Would you agree with that assessment? Or I will let you clarify that.

Ambassador SHERMAN. Thank you for asking the question. No. When we were—originally put the Baghdad proposal on the table, as I said, it dealt with three elements as a first confidence-building measure, the enrichment of over 5 percent uranium, the stockpiles of that, and Fordow. There are many ways to skin each of those cats. And so in our efforts to try to move the negotiation, we made a couple of small but really insignificant changes to what we were requiring.

I would also say, not to take your time, and I hope the chair will allow you an extra minute. I just wanted to tell you and the rest of the committee my colleague handed me a note that after meeting with Iran in Vienna today, Mr. Nackaerts of the IAEA said, "We could not finalize the structured approach document that has been under negotiation for a year and a half," and acknowledged, "our best he was have not been successful so far." No date for a further meeting was set. And so this means that the Director General Amano will go to issuing a report at the end of this month, and there will be a Board of Governors' meeting in early June to decide what, if anything, further can be done.

Mr. MEADOWS. Thank you for that message.

And so let me switch a little bit to Europe and Iran. Europe has been a valuable partner in working with us in terms of sanctions, you know, billions of dollars worth of oil, you know, and truly dried up, so to speak. However, it seems like the European Union appears to still be handling transactions in Euros, which essentially allows for the bypassing of some of these sanctions. What are we doing to try to persuade the EU from stopping this practice?

Mr. COHEN. Congressman, you are exactly right. The European Union has been a tremendous partner in our efforts to apply sanctions on Iran, and what they have done has made a dramatic difference in the force and power of our sanctions. With respect to euro transactions, we are very actively engaged with the Europeans to ensure that there is no ability for Iran to clear Euros through Europe in a way that would not be caught by the existing European sanctions, the existing European framework that very significantly restricts the ability of Iran to transact. I think we are making good progress, and I would say—I see my time is up. Just one final point. The ability of Iran to move Euros through Europe depends on, in the first instance, some country, some financial institution violating our sanctions. Particularly the sanctions that went into effect on February 6. So regardless of whether the Euro-

peans have a protection put in place, we have a protection put in place to prevent Iran from getting access to those Euros. And we intend to ensure that that does not get violated.

Mr. MEADOWS. I can see my time has expired. I appreciate the chairman's indulgence, and I will submit the rest of the questions for the record.

Chairman ROYCE. Very good. Thank you, Mr. Meadows.

We go now to Mr. Schneider of Massachusetts.

Mr. SCHNEIDER. Illinois.

Chairman ROYCE. Illinois. Thank you.

Mr. SCHNEIDER. Thank you, Mr. Chairman.

I thank both of you for your time here, your testimony, and your service. I have read quite a bit lately about how Iranians are adapting, trying to find ways, not just around the sanctions but ways to live within the sanctions, diversifying their economy, moving away from the dependence, overdependence on the energy sector. I would be curious, Mr. Cohen, you talked about—to me, it is a sense of increasing the intensity, the force and power of the sanctions, as well as the frequency or closing the time between ratchets as we increase that intensity.

What efforts are there to eliminate the ability of the Iranians to adapt their economy so the sanctions take less bite? What opportunity is there to crease the pace as we go forward?

Mr. COHEN. Well, Congressman, I think it is a very good question. Because there is reporting that you see in the press about, you know, Ahmadinejad, in particular, saying, and the Supreme Leader saying we need to move away from an oil economy, we need to, you know, transform the Iranian economy and not be so dependent on oil revenue. Frankly, if they are ever able to do that, it is not going to be anywhere close to the near term. They are hugely dependent, hugely dependent on their ability to sell oil. And there are a small number of additional revenue sources in the Iranian economy. But I think two-thirds of their earnings come from, historically, have come from their oil sales, two-thirds or three-quarters. So what we are doing in targeting in particular oil sales, targeting their ability to get access to the revenue from the oil sales, is not something the Iranian economy—the Iranians are going to be able to adapt themselves away from in anything in the near term.

And in second part of your question is the pace, intensity of the sanctions. We are committed to working with this committee, working with Congress to put into place additional measures. The administration itself is actively engaged in looking at ways that we can take action to apply additional sanctions. We are enforcing the sanctions in a very vigorous way. So we are, if anything, picking up the pace of both our enforcement efforts as well as the creation of new authorities.

Mr. SCHNEIDER. Let me take you in a slightly different direction, and that is with Iranian supply of Syria transiting weapons through Iraq. It is a grave concern. Today we saw that there were rockets falling on the Israeli side of Mount Hermon. This is an issue of, like you said, of great concern. What actions are we taking? What can we do to reduce or eliminate the ability of Iran to transfer weapons through Iraq?

Ambassador SHERMAN. We will discuss this further and in more detail in the classified session. But what I can say, Congressman, is Secretary Kerry has had very direct conversation with Prime Minister Maliki, as have others. And as a result of those talks, we are seeing more inspections of planes that are flying over Iraq, headed toward Syria. Or potentially headed toward Syria. We have seen a change in behavior. Is it sufficient yet? In my view, not quite sufficient yet. But we are putting on very serious talks with the Iraqis about what they must do. And, in fact, what other countries must do. And we have had instances, which we can talk about in that session, where countries have been aware of transiting, have interdicted, and stopped both weapons and goods that are going to Syria as well as a lot of successful interdictions in terms of abating sanctions toward Iran.

Mr. SCHNEIDER. Great. Thank you. And I will look forward to speaking in the next session.

Chairman ROYCE. Mr. Radel from Florida.

Mr. RADEL. Thank you, Mr. Chair.

One thing I love about this committee is the spirit of bipartisanship that we have here. We are beyond R or D or party lines. We work together for what is best for the United States.

That said, we had Secretary Kerry here not too long ago, who said something I think we can all agree on. When it comes to the talks that we have had over and over, he says, the talks "cannot be allowed to become a process of delay which in and of itself creates a greater danger."

Let me take a step back here for a second. When we look at North Korea, for example, we have seen decade after decade, talk after talk. Now a change of regimes from father to son. And yet we are still threatened by this dictatorship of North Korea. The only American contact I think we have had is Dennis Rodman, showing up there to play some basketball. Look, I love Rodman as much as the next guy, having lived in Chicago in the 1990s. But I don't think that he is fit to be an Ambassador or Representative of the United States.

When we go back to Iran, when do we say enough is enough?

Ambassador Sherman, I would ask you, do we have any kind of clear-cut definition when we say that this is just stalling, and we are done with talks?

Ambassador SHERMAN. Congressman, it is—I wish it were a simple equation. And—but it is not. Because we have to constantly calculate where Iran is in their nuclear program, which we can discuss in detail in the classified session. We have to consider where our international partners are, because we have to exhaust every possibility for diplomacy for a peaceful solution. Because if we are to take other action, we must have international support to do so.

So this is not a simple equation. I wish it were direct, linear, clear; I wish I could tell you today what the moment will be. The President has said, the Secretary has said there is still more time. Prime Minister Netanyahu has said that as well. But that time is not definite, and we are in constant assessments, not only within our own Government, with other governments, including with Israel, on those assessments of where we are on the various clocks to make those choices.

Mr. RADEL. Agreed. And it is undoubtedly reassuring to hear that from the Prime Minister Netanyahu in Israel. We would all like a peaceful solution to this at the end of the day. I thank you for your service.

Just real quick. Is there anything that, in terms of looking and suspending nuclear activity, is there any clear-cut answer to—are we asking for them to suspend it all? For the record, could you state where we stand on that?

Mr. SHERMAN. For the record, we have said that the end of this story is full compliance with U.N. Security Council sanctions and all of their obligations under the NPT.

Mr. RADEL. Great. And I look forward to our conversation later. Thank you both, Mr. Chair.

Ms. ROS-LEHTINEN [presiding]. Thank you very much.

Congresswoman Meng of New York is recognized.

Ms. MENG. Thank you, Mr. Chairman.

Thank you, Mr. Ranking member.

And thank you, too, Ambassador Sherman and Mr. Cohen for being here today.

In 2009, it appeared that the Iranian people or a large percentage of them truly rose up against are the regime. Iran is a young country that is increasingly disaffected with its regime. We are now upon another Iranian election, one without a relatively liberal candidate. Can anything be done to, again, galvanize and support the pro-democratic forces, and what is your assessment of the Iranian public sentiment on the eve of their Presidential elections?

Ambassador SHERMAN. Congresswoman, I wish I could tell you that all of the voices of those who may not like where their government is today are speaking up or feel that they can speak up. But that is not the case. There is tremendous repression in Iran. And the destructive actions that were taken in 2009 have had a lasting impact. The Green Movement, as it was then, which was actually most focused on undermining—getting rid of voter fraud as the election approached, really does not exist as an organized entity. There are, of course, other voices in Iran. But they are often thrown in jail or their families are harassed or their businesses are closed. The State Department, along with other partners in the U.S. Government, are doing everything we can to ensure that people can talk with each other, that they have avenues for speech. We have a Virtual Embassy Tehran, which is a Web site. And we do everything we can to make sure that that isn't jammed and people have access to it. We have Farsi speakers who communicate, and we will certainly take Congressman Rohrabacher's suggestions about additional languages into account. But we are trying to do everything we can to support the space, not for us to take sides—it is up for the Iranian people to decide who they want as their leadership—but to make sure transparent, free, and fair election. And it appears we are very far from that today.

Ms. MENG. Thank you.

I yield back my time.

Ms. ROS-LEHTINEN. Thank you very much.

And now we go to Mr. Messer of Indiana.

Mr. MESSER. Thank you. I thank the chair and the ranking member.

I certainly want to say thank you to Ambassador Sherman and Mr. Cohen.

I was encouraged by your testimony about the impact of sanctions on the Iranian economy. Clearly, it is having a big impact on their currency. But, of course, the goal of the sanctions is not to just simply cripple the Iranian economy, the goal of the sanctions is to change their behavior as to the nuclear enrichment program. And I am not trying to throw this out as a trick question, I just would ask for your assessment, what impact or any impact have we seen on these sanctions as their—to their behavior in the nuclear enrichment program.

Ambassador SHERMAN. I would say a couple of things. First of all, Iran knows that they pay a cost for their continuing intransigence. And that was not always true. You all have said it yourselves, for many years, that was not true. But now there is an international regime unlike any other. So every day they pay a cost, and that cost only increases and ramps up. There is only more cost to be held.

Secondly, as Undersecretary Cohen mentioned in his testimony, in the last round, at Almaty 2, as we call it, Iran really put the need for sanctions relief on the table. In the past, there had been quite a bit of happy talk along the lines of what Congressman Schneider mentioned, which is, you know, Iran saying, oh, you helped us diversify our economy. This is great. We are doing greater scientific technology. It has made us create new things. This time, all of that was gone. It was all about, "we need sanctions relief, and let's talk about how little we can do to get it."

Mr. MESSER. So, I don't want to put words in your mouth, but I am hearing you say we see some diplomatic movement.

Ambassador SHERMAN. Yes.

Mr. MESSER. We are aware of no efforts that have changed as far as their efforts to obtain a nuclear bomb.

Ambassador SHERMAN. No. I think I said earlier, my own assessment—and we can talk in the classified about the intelligence community's assessment—is that the Supreme Leader has not made the strategic decision to really give his people what they need, which is security and prosperity, rather than face the continued cost——

Mr. MESSER. Just to follow up in my limited time, kind of following up on the comments by Representative Meng, do we have any indication that public sentiment in Iran—do they blame the West for their economic troubles, or are they beginning to understand it is their own leadership's fault?

Ambassador SHERMAN. Again, we can ask the intel community. But the public polling data that I have seen shows a mixed bag. I think that Iranian people are frustrated with the economic mismanagement of Iran, which is, quite frankly, also a major factor here. But there is, obviously, a great deal of nationalism in Iran as well.

Ms. ROS-LEHTINEN. Thank you very much.

Dr. Bera is recognized.

Mr. BERA. Thank you, Madam Chairwoman, Ranking Member.

Thank you Ambassador and Mr. Cohen.

I think we have touched on a number of issues, and both Democrats, Republicans, House, Senate, administration clearly understand that a nuclear-armed Iran is not a possibility. We clearly understand where that red line is. And we will do what is necessary to prevent that.

Do we believe that the Iranian leadership understands where the red line is and understands what we are saying?

Ambassador SHERMAN. One of the things I learned a long time ago as a diplomat is it is always hard to know exactly what the other side is thinking, because their history, their culture is different than ours.

And I often sit on the opposite side of the table with Dr. Jalili and his delegation. And it is hard work for us to talk with each other as opposed to past each other. I think they understand the United States is the last remaining—military super power in this world and the last remaining super power in this world. And that we mean business. I think they are clear that we will do whatever is necessary to keep them from having a nuclear weapon. But at the same time, this is a culture of resistance that is based much in its history. So I wish I knew with exactitude the answer to that question.

Mr. BERA. Now, let's assume we are successful in preventing Iran from developing and obtaining their own nuclear technology. We on this committee have talked about North Korea, and we have touched on it. Is there any evidence that there is conversation between North Korea and Iran or any technology transfer that is going on?

Ambassador SHERMAN. As I said a few moments ago, I am not sure you were here yet, Congressman, I think we should talk about this further in the classified session. There have been historic networks largely led by A.Q. Kahn out of Pakistan that have had an impact on all of the nefarious actions of countries around the world in terms of proliferation, but I think further discussion we should hold for a classified discussion.

Mr. BERA. Great. I look forward to that discussion and I yield back.

Chairman ROYCE [presiding]. I now recognize Mr. Weber.

Mr. WEBER. Thank you.

Madam Ambassador, you said in your exchange with Congressman Brooks that there was no pulling back from that stance. How about going forward? Are you prepared—or let me back up.

You read a statement from today that said we have been at the negotiating table for a year and a half. Do you believe we have another year and a half timeframe before they get nuclear weapon capability?

Ambassador SHERMAN. What the President said, Congressman, is from the time Iran makes a decision to go for a nuclear weapon——

Mr. WEBER. I am asking you, and I am short of time, forgive me, do you believe that from today——

Ambassador SHERMAN. I think we don't know the answer to that. There are many factors——

Mr. WEBER. I think that is naive. We don't have a year and a half. We just don't have a year and a half. Let me make that point.

In response to the other Congressman who said, We need the pedal to the metal, will you go back to the Secretary of State and will you say, Mr. Secretary, I recommend that we give the Israelis the bunker-busting bomb, that we give them the technology now, not to wait, because it is your recommendation that we don't have a year and a half? And I agree with the tenor of what many of our colleagues are saying, is that we have had a lot of talk for a long time, and I think it is getting down to the ninth inning. Don't you agree?

Ambassador SHERMAN. I will certainly let the Secretary know your recommendation, Congressman.

Mr. WEBER. Okay, that sounds like a good diplomatic answer.

A very specific question. There is a $30 million administration request for funding of the Near East Regional Democracy Fund, a fund which is geared specifically toward helping support democratic reform in Iran. Isn't it true, or why is it that that funding has gone almost exclusively toward Internet circumvention and technology updates? Why not to boots on the ground? Why not to the opposition reformists or democratic activists that are operating on the ground?

Ambassador SHERMAN. Well, in fact, what we are trying to do is what we can do, which is to help people to create the open space for the kind of organizing that you are discussing. And in those who have talked with us about what the needs are, this is very high on the list.

Mr. WEBER. Well, thank you. And I really do expect for you to go back to Secretary Kerry and to tell him that we don't have a lot of time left. And he knows that, and I suspect we will talk more about it in the SCIF, but I hope we come up with concrete ideas to take countries like China and quit giving them exceptions, whatever you want to call them, and to make sure that they understand that we are fully committed to all of the sanctions. And if they are not complying with those, then they need to feel some of the weight of that as well.

And I yield back a whopping 13 seconds.

Chairman ROYCE. We now stand adjourned.

I want to thank Ambassador Sherman and Mr. Cohen for their testimony. They have agreed to make themselves available to go into closed session, so we will do that immediately and ask members, you are all encouraged to attend. Thank you. We stand adjourned.

[Whereupon, at 3:19 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, DC 20515-6128

Edward R. Royce (R-CA), Chairman

May 15, 2013

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 on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, May 15, 2013

TIME: 1:15 p.m.

SUBJECT: Preventing a Nuclear Iran

WITNESSES: The Honorable Wendy R. Sherman
Under Secretary for Political Affairs
U.S. Department of State

The Honorable David S. Cohen
Under Secretary for Terrorism and Financial Intelligence
U.S. Department of the 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 *05/15/13* Room *2172*

Starting Time *1:19 p.m.* Ending Time *3:19 p.m.*

Recesses *0* (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Chairman Ed Royce, Rep. Ros-Lehtinen

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Preventing a Nuclear Iran

COMMITTEE MEMBERS PRESENT:

See Attached Sheet

NON-COMMITTEE MEMBERS PRESENT:

None

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.)*

Rep. Connolly
Rep. Engel on behalf of Rep. Velazquez

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:19 p.m.*

Jean Marter, Director of Committee Operations

HOUSE COMMITTEE ON FOREIGN AFFAIRS

"Preventing a Nuclear Iran"

May 15, 2013

Present	*Member*
X	Edward R. Royce, CA
X	Christopher H. Smith, NJ
X	Ileana Ros-Lehtinen, FL
X	Dana Rohrabacher, CA
X	Steve Chabot, OH
X	Joe Wilson, SC
	Michael T. McCaul, TX
	Ted Poe, TX
X	Matt Salmon, AZ
	Tom Marino, PA
	Jeff Duncan, SC
	Adam Kinzinger, IL
X	Mo Brooks, AL
X	Tom Cotton, AR
X	Paul Cook, CA
	George Holding, NC
X	Randy K. Weber, Sr., TX
	Scott Perry, PA
	Steve Stockman, TX
	Ron DeSantis, FL
X	Trey Radel, FL
	Doug Collins, GA
X	Mark Meadows, NC
	Ted S. Yoho, FL
X	Luke Messer, IN

Present	*Member*
X	Eliot L. Engel, NY
	Eni F.H. Faleomavaega, AS
X	Brad Sherman, CA
	Gregory W. Meeks, NY
	Albio Sires, NJ
X	Gerald E. Connolly, VA
X	Theodore E. Deutch, FL
	Brian Higgins, NY
	Karen Bass, CA
X	William Keating, MA
X	David Cicilline, RI
	Alan Grayson, FL
	Juan Vargas, CA
X	Bradley S. Schneider, IL
X	Joseph P. Kennedy III, MA
X	Ami Bera, CA
X	Alan S. Lowenthal, CA
X	Grace Meng, NY
X	Lois Frankel, FL
	Tulsi Gabbard, HI
X	Joaquin Castro, TX

The Honorable Gerald E. Connolly (VA-11)

HCFA Full Committee Hearing: Preventing a Nuclear Iran
Wednesday, May 15, 2013
1pm

Last Thursday, the State Department announced the imposition of sanctions on four Iranian nuclear support companies and one individual as Weapons of Mass Destruction Proliferators pursuant to Executive Order (E.O.) 13382. The four companies—Aluminat, Pars Amayesh Sanaat Kish, Pishro Systems Research Company and Taghtiran Kashan Company—were all blacklisted for providing goods, technology and services for activities that violated United Nations Security Council sanctions on Iran's nuclear activities. That same day, the Treasury Department announced sanctions against Iranian Venezuelan Bi-National Bank (IVBB) for acting as a financial conduit for the previously sanctioned Export Development Bank of Iran (EDBI).

These are welcome developments, but the Committee's work is far from over. As one of the cosponsors of the Chairman's Nuclear Iran Prevention Act of 2013 (H.R. 850), I welcome the mark-up next week. The bill, which has been referred to three other Committees, lays out a number of provisions regarding the sanctions regime. Among other things, H.R. 850:

- Directs the Secretary of State to determine if Iran's Revolutionary Guard Corps (IRGC) meets the criteria for designation as a foreign terrorist organization and: (1) if so, designate the IRGC as a foreign terrorist organization; and (2) if not, report to Congress concerning those criteria which have not been met.

- Expresses the sense of Congress regarding the imposition of sanctions on certain Iranian government persons responsible for, or complicit in, human rights abuses, diversion of food and medicine, and censorship.

- Amends the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) to subject to mandatory sanctions a financial institution that facilitates a significant transaction or provides significant financial services for a person that: (1) is subject to human rights-related sanctions, or (2) exports sensitive technology to Iran and is subject to the prohibition on procurement contracts.

- Excludes from such sanctions a transaction for the sale of agricultural commodities, food, medicine or medical devices to Iran.

International sanctions have had stark consequences for Iran, including the decline in value of the Iranian rial. Moreover, according to recent reports, because of "sanctions enacted by the United States and several European nations—and implemented by key allies—Iranian crude oil production fell to 3.0 million barrels per day (mbd) in 2012, its lowest level since 1989."[1] Other estimates put Iran's current oil exports to an even lower number; according to the Congressional Research Service, Iran's oil

[1] Securing America's Future Energy & Roubini Global Economics, "Decision Point: A Well-Supplied Global Oil Market Will Make 2013 the Year to Deal With Iran," April 26 2013 Issue Brief, 1.

exports have declined to about 1.25 million barrels—a halving from the 2.5 million barrels per day Iran exported during 2011.[2]

Whatever metric one uses, it is clear that Iranian access to the international market has steadily declined since the imposition of U.S.-led multilateral sanctions against Iran. These sanctions are one of many tools and this Committee has attempted to ensure that the President has the legislative authority to discourage Iran, through multiple means, from enriching uranium. Given the Committee's impending actions on the Nuclear Iran Prevention Act, I would like to hear our witnesses' thoughts on the bill and how it would supplement the current sanctions regime against Iran.

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[2] Kenneth Katzman, "Iran Sanctions," *Congressional Research Service*, April 24 2013.

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE ELIOT L. ENGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

COMMITTEE ON SMALL BUSINESS
RANKING DEMOCRATIC MEMBER

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND INSURANCE
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

Congress of the United States
House of Representatives
Washington, DC 20515

NYDIA M. VELAZQUEZ
7TH DISTRICT, NEW YORK

CONGRESSIONAL HISPANIC CAUCUS
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May 15, 2013

Chairman Ed Royce
House Committee on Foreign Affairs
U.S. House of Representatives
2170 Rayburn House Office Building
Washington, DC 20515

Ranking Member Eliot L. Engel
House Committee on Foreign Affairs
U.S. House of Representatives
B-360 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Royce and Ranking Member Engel,

In light of the House Committee on Foreign Affairs hearing on "Preventing a Nuclear Iran" today, I would like to take this opportunity to discuss with you the importance of preventing Iran from obtaining nuclear weapons and other weapons of mass destruction.

Despite the effectiveness of current economic sanctions, the Iranian government continues acting in a grossly irresponsible manner. The nation still pursues nuclear enrichment, rejects international inspections of its facilities, and neglects its citizens' needs. Iran recently announced it will install thousands of additional centrifuges for enriching uranium in its nuclear facilities. These activities could fast-track the development and production of up to seven bombs. Furthermore, Iranian officials once again walked away from multinational nuclear negotiations in April. Although the nation has agreed to restart discussions, a quick breakthrough is unlikely.

The Iranian government publically opposes many U.S. policies and interests in the Middle East. I am extremely concerned that, if Iran was to ever obtain nuclear weapons, it would represent a significant threat to America and stability in the region. That is why I am co-sponsoring your bill H.R. 850, the Nuclear Iran Prevention Act. This important bipartisan legislation would broaden economic sanctions against activities that promote the development of weapons of mass destruction, strengthen sanctions for known human rights abusers, and increase oversight of existing sanctions on Iranian leadership.

While I sincerely hope that the Iranian government under the new president will be open to negotiations and winding down Iran's nuclear ambitions peacefully, we cannot be certain of the future. Our nation cannot remain idle while Iran accelerates its nuclear production and refuses to offer a good faith demonstration that these activities are for peaceful purposes. Therefore, I urge the Committee to move H.R. 850, the Nuclear Iran Prevention Act, forward quickly so that the President has the necessary diplomatic tools available to deter the Iranian leadership from continuing down this dangerous path. Thank you.

Cordially,

Nydia M. Velázquez
Member of Congress

2302 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2361

265 BROADWAY
SUITE 201
BROOKLYN, NY 11211
(718) 599-3658

16 COURT STREET
SUITE 1906
BROOKLYN, NY 11241
(718) 222-5819

Questions for the Record
Submitted by the Honorable Dana Rohrabacher
To the Honorable Wendy R. Sherman

Question 1:

Was Iran behind the Feb. 9, 2013 rocket attack on Camp Liberty in Iraq which killed 5 unarmed civilians and wounded some 25 others? Is Iran behind other acts of harassment of the camp, including another rocket attack in April?

As Secretary Kerry stated in his April 17 testimony, we do believe that Iran was behind the February 9 attack on Camp Liberty. The safety and security of the residents continues to be of utmost concern, and the February 9 attack, coupled with the generally precarious security situation in Iraq currently, only underscores the necessity of relocating the residents of Hurriya outside of Iraq in order to get them out of harm's way. To that end, we continue to urge the camp leadership to resume cooperation with the UNHCR relocation process, particularly interviews, in order to relocate members out of Iraq.

Questions for the Record
Submitted by the Honorable Adam Kinzinger
To the Honorable David S. Cohen

Question 1:

Is the Administration considering expanding sanctions to more aggressively target luxury goods such as the Supreme Leader, Ayatollah Ali Khamenei's BMW conglomerate?

It is longstanding Treasury policy not to comment on possible or ongoing investigations. However, the Treasury Department takes seriously its obligation to implement all financial sanctions and is constantly engaged in investigations to seek out sanctionable activity.

Question 2:

Many reports state that the Ayatollah is worth tens of billions of dollars in personal wealth. Has the Administration considered imposing harsher restrictions which could more directly impact the Ayatollah?

Treasury and the Administration remain committed to enforcing U.S. sanctions and to targeting key sources of revenue for the Iranian regime that could be potentially redirected to support its nuclear program and support for terrorism. Most recently, in early June 2013, Treasury sanctioned the Execution of Imam Khomeni's Order (EIKO), an extensive network of front companies that works on behalf of the Iranian government and is used to circumvent international sanctions and conceal billions of dollars in assets controlled by the Iranian leadership. EIKO oversees a network of 37 ostensibly private businesses, many of which are front companies. The purpose of this network is to generate and control massive, off-the-books investments, shielded from the view of the Iranian people and international regulators.

Question 3:

Why has the Administration not yet sought to impose a sanction on Iran's use of gold as a currency since President Obama issued Executive Order 13622 which bans gold exports to Iran?

Treasury has a strong record of aggressively pursuing Iran's financial networks and implementing sanctions against Iran and those individuals, entities, and banks that violate our sanctions. Executive Order 13622 makes sanctionable the purchase or acquisition of precious metals, including gold, by the Government of Iran. Treasury has conducted extensive outreach to our foreign partners and to key players in the international gold market to raise awareness of the sanctions risk associated with gold sales to Iran. This issue has taken on even more prominence as of July 1, 2013, when our authorities expanded to make sanctionable the purchase or acquisition of precious metals – including gold – to or from *any person* in Iran. Although Treasury does not comment on possible or ongoing investigations, you have my assurance that we will continue to aggressively target individuals, entities, or banks that engage in sanctionable activity, wherever they may be.

Questions for the Record
Submitted by the Honorable Adam Kinzinger (IL-16)
To the Honorable Wendy R. Sherman

Question 1:

In the event that Prime Minister Benjamin Netanyahu's "red line" is crossed, what contingency plan does the Administration have in place to come to the aid of our most important ally in the region?

Israel is a vital ally and the cornerstone of our regional security commitments. Our security relationship with Israel is the deepest and broadest that it has ever been. We have extensive and ongoing contact with Israel to discuss a wide range of security issues, including how to address all facets of the challenge posed by Iran's nuclear program. We have also taken unprecedented steps to protect Israel's Qualitative Military Edge — including installing the Iron Dome defense system to stop rockets fired at Israel.

The President has stated unequivocally that we will not allow Iran to obtain a nuclear weapon, and there should be no doubt that the United States will use all elements of American power to achieve this objective. The United States and Israel are in full agreement about this objective.

We believe it is still possible for diplomatic and economic efforts to prevent Iran from achieving their goal. But while the diplomatic window is still open, the President has made clear that there should be no doubt that it will not be open indefinitely, and all options remain on the table.

Question 2:

How is the Administration seeking to curb the effects Iran has on the growing problem in Syria?

Iran has been a critical support line to the Asad regime, providing not only funds and weapons, but also strategic guidance and technical assistance, playing a significant role in keeping the Asad regime in power, enabling the regime's continued repression and slaughter of tens of thousands of Syrians, and exacerbating a conflict that has wide-reaching regional security implications. The fact of Iranian boots-on-the-ground in Syria was demonstrated on February 13, when IRGC Qods Force general Hasan Shateri was killed inside Syria.

Countering such efforts remains a key priority for the Administration and we are focused on preventing Iran from continuing to support the Syrian regime financially, materially, and logistically. The Administration has used its authorities in several executive orders to highlight the role of Iran in the Syrian regime's violation of human rights and hold accountable those responsible.

We remain concerned with Iran's continued abuse of Iraqi airspace for arms shipments to Syria. During Secretary Kerry's March 24 visit to Iraq, he raised this issue with Prime Minister Maliki, and urged Iraq to either deny overflight requests for Iranian aircraft going to Syria, or require such flights to land in Iraq for credible inspection. We will continue to engage the most senior Iraqi officials on this issue.

Questions for the Record
Submitted by the Honorable Mark Meadows
To the Honorable Secretary Wendy R. Sherman

Question 1:

Last month, Secretary Kerry in a visit to Baghdad pressed the Iraqi government to take action to stop Iranian arms shipments to Syria that have been crossing Iraqi airspace and traveling overland as well. Since the Secretary's visit media reports indicate Iraq stopped and searched some additional Iranian aircraft. Under Secretary Sherman, can you provide an update on Iraq's actions to stop the flow of arms to Assad? Is this a matter of capability or will?

We remain concerned that Iranian arms shipments to Syria are crossing Iraq into Syria. During Secretary Kerry's March 24 visit to Iraq, he raised this issue with Prime Minister Maliki and urged that Iraq either deny overflight requests for Iranian aircraft going to Syria, or require such flights to land in Iraq for credible inspection. Since his visit, Iraq increased the number of inspections of flights bound for Syria. We are encouraged by some steps the Iraqis have taken, and we have seen some disruption in flights over the past 60 days. That said, this remains an issue of urgent concern and regular diplomatic engagement. We will continue to press Iraqi officials at the highest levels to conduct credible inspections and ensure that Iran does not use Iraq as a transit route for cargo prohibited by UN Security Council Resolutions.

Question 2:

Under Secretary Sherman, more generally, how do you see assess the relationship between Iraq and Iran?

While Iran continues to be an influential neighbor to Iraq, Iranian efforts to dominate Iraq are countered by the fact that Iraqis vigorously defend their sovereignty and independence. Iraq has taken actions that run counter to Iranian interests, such as increasing oil production just as Iranian exports were being taken off the market due to U.S. and EU sanctions. If Iraq had not taken this action, we believe worldwide oil prices would have spiked, ultimately reducing the impact of sanctions on Iran and hurting U.S. consumers. Iraq has also participated in regional international military exercises such as Eager Lion (a multilateral Command Post Exercise and a Field Training Exercise held annually in Jordan) and the International Mine Countermeasure Exercise held in the Arabian Gulf, and hosting P5+1 talks last May. Fearful of the effect of sectarian tensions in the region, Iraq seeks the reassurance of a long-term strategic partnership with the United States to protect it from spillover instability and interference or disproportionate influence by any of its neighbors, including Iran.

Question for the Record

Submitted by the Honorable Mark Meadows (NC-11)
To the Honorable David S. Cohen

Question 1:

Under Secretary Cohen, if the European Central Banks TARGET II system clears a transaction in which a U.S. sanctioned Iranian bank is a party, has a sanctions violation occurred?

Foreign financial institutions knowingly conducting or facilitating a transaction involving a U.S.-designated Iranian bank are exposed to sanctions under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 and the National Defense Authorization Act for Fiscal Year 2012, and the Iran Freedom and Counter-Proliferation Act of 2012, a sub-title of the National Defense Authorization Act for Fiscal Year 2013, which include U.S. correspondent and payable-through account restrictions.

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